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ABSTRACT

This publication contains the three addresses and all papers presented at the 1974 annual meeting of the Association of American Colleges. The theme of the conference concerned the expectations of higher education regarding business and industry and the expectations of business regarding higher education. Topics included: what business expects of higher education; what higher education expects of business and industry; financing higher education; the institutional investor and social responsibility; management techniques and higher education; the education of women and the national economy; the goals of higher education and the manpower needs of a changing society; undergraduate education for living in a technologically intensive society; the financial community as a source of student loan funds; partnership between academic and business community, productivity in higher education; liberal education; education of the black minority and its effect on the national economy; can management strategy save the private sector; implications of statewide planning and coordination; modernizing the liberal arts; narrowing the gap in charges between public and private institutions; the case for pluralism and diversity in higher education; the role of the president--manager or educator; should higher education be cansumer-controlled; and the role of the institutional governing board. (MJM)

HIGHER EDUCATION, HUMAN RESOURCES AND THE NATIONAL ECONOMY

Addresses and Discussion Papers
from the
Sixtieth Annual Meeting
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Association of American Colleges
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April 1974

Foreword

The 1974 annual meeting of the Association of American Colleges was unusual and, I believe, exceptionally valuable in providing leaders in business and in academia with an opportunity for talking over their common interests and differing viewpoints. "What do business and industry expect of higher education?" "What does higher education expect of business and industry?" It was hardly to be expected that those questions would be fully answered in a day and a half of discussion, no matter how intensive. But at least the meeting enabled representatives of two critically important sectors of our national life to gain some appreciation of each other's perspectives and to dispel some possible misunderstandings—to talk with each other instead of past each other. It is my earnest hope that the dialogue thus begun may be continued and broadened in the coming months and years.

Meanwhile, the Association is deeply grateful to the Committee for Economic Development and the Young Presidents' Organization for helping us organize these initial exchanges. We are also indebted to the International Business Machines Corporation for a generous grant which enabled us, among other things, to publish the addresses and papers from the St Louis meeting in this format for the benefit both of the original audience and of interested persons who were unable to be present. Nobody, in fact, could have attended more than three or four of the twenty sessions herein represented.

This publication contains the three addresses given in general sessions on the theme of the annual meeting and all of the papers, at least in summary form, which were presented as the basis for discussion of sub-topics in concurrent sessions. Unfortunately, it was impracticable for us to record and publish the ensuing discussions. The papers have been prepared for printing (with the minimum of editorial tinkering) by Eric Wormald, vice president of the Association and editor of its journal, *Liberal Education*, with the aid of Elden T. Smith, executive secretary of the National Council of Independent Colleges and Universities and principal organizer of the annual meeting. While complete in itself, the book is at the same time a supple-

ment to the March 1974 issue of *Liberal Education*, in which the formal proceedings of the annual meeting are recorded.

The papers necessarily reflect widely differing degrees of familiarity with the academic enterprise and with the language that academic administrators use among themselves. If either academics or businessmen, from their respective angles, are tempted to accuse each other of naïveté, I would respond with the old admonition: "Do not laugh, do not weep; try to understand." Mutual understanding was not only the central aim of our annual meeting but is, in my judgment, one of the paramount needs of a changing and troubled society.

Frederic W. Ness
President
Association of American Colleges

April 1974

Contents

GENERAL SESSIONS ADDRESSES

What Business Expects of Higher Education, *William D. Eberle* 1

What Does Higher Education Expect of Business and Industry?, *Landrum R. Bolling* 11

Financing Higher Education: The Current State of the Debate, *Howard R. Bowen* 23
with comments by:
Earl F. Cheit 45
Peggy Heim 48
Dan M. Martin 52
David S. Mundel 55

CONCURRENT SESSIONS DISCUSSION PAPERS

The Institutional Investor and Social Responsibility, *W. Christopher Maxwell* 61

Management Techniques and Higher Education: Potentials and Problems, *Earl C. Bolton* 67

The Education of Women and the National Economy, *Jane P. Cahill* 74

The Goals of Higher Education and the Manpower Needs of a Changing Society, *Clifford M. Hardin* 81

Undergraduate Education for Living in a Technologically Intensive Society, *Charles Kimball* 85

The Financial Community as a Source of Student Loan Funds, *James J. O'Leary* 94

Partnership Between Academic and Business Community, *Arch McClure* 100

Productivity in Higher Education—A Businessman's View, *William F. Leonard* 107

Liberal Education: Preparing Tomorrow's Business Executives,
Peter A. Benoliel 117

Education of the Black Minority and Its Effect on the
National Economy, *Luther G. Bellinger* 124

Can Management Strategy Save the Private Sector?,
Dirck Barhydt 131

Implications of Statewide Planning and Coordination,
Watts Hill, Jr 137

Modernizing the Liberal Arts: A View from Industry,
James A. Joseph 149

Narrowing the Gap in Charges Between Public and Private
Institutions, *John D. Millett* 156

The Case for Pluralism and Diversity in Higher Education,
Ralph M. Besse 167

The Role of the President—Manager or Educator?,
Joseph Kenner 177

Should Higher Education Be Consumer-Controlled?,
Layton Olson 187

The Role of the Institutional Governing Board,
Armand C. Stalnaker 198

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What Business Expects of Higher Education

WILLIAM D. EBERLE

When I was invited to speak about "what business expects of higher education," I accepted, recognizing that business, like education, covers a broad spectrum of views and institutions. However, this issue has been examined frequently in the past dozen years by the Committee for Economic Development, most recently in a policy statement on *The Management and Financing of Colleges*. As a trustee of CED and chairman of the panel that prepared that report, I am delighted to have this opportunity to explore with you some of the primary facts, expectations and recommendations we have considered and the challenges that we see confronting higher education today.

We are asked often to justify the right business leaders have in probing into the educational establishment. Many educators and students assert that business and education are so greatly separated that we of CED can neither understand the uniqueness of the academic community nor sympathize with the special economic and organizational constraints in which educators must operate.

CED is an independent, nonpolitical and privately financed organization of some 200 trustees who are for the most part chairmen and presidents of large corporations. Its objective is to focus attention on critical national issues, and—with the help of leading economists and social scientists from the academic world—to formulate recommendations designed to guide government and business in making policy. This partnership between the businessman and educator is the hallmark of the CED process. For three decades CED has issued policy recommendations addressing national and domestic economic issues, the management of government, and areas such as public welfare, crime, health, housing and several aspects of education.

These education reports stem from a growing recognition by many in the business community that education is not only a prime source of manpower but an equally critical resource for the economic and social

well-being of the nation. Financially, the relationship of business and education is well documented. In its 1971 statement on *Social Responsibilities of Business Corporations*, CED reported that business philanthropy totaled one billion dollars a year, with forty per cent of these funds being channeled to education. Indeed, we found education had increasingly become the prime interest of corporate social responsibility.

A survey conducted by CED in 1973 showed direct financial support of education to be the second highest item on the agenda of corporate social priorities, with 94 per cent of the surveyed firms contributing. These businesses reported that their top social priority was a closely related activity, the support of employment and advancement opportunities for minorities, with 96 per cent of the surveyed firms contributing.

The corporate community's interest in higher education is further evidenced by the fact that in 1972 business gave a total of $365,000,000 to institutions of higher education. This phenomenon is even more significant when we recall that it was only 1953 when Frank Abrams, chairman of Standard Oil of New Jersey, won a landmark decision from the state superior court declaring that corporations have a right and responsibility to support higher education. The basic reasoning is simple: a corporate grant to a college is as appropriate as a company's payment to a supplier of raw materials. Both manpower and materials are necessary ingredients for the functioning of business in this complex society. Furthermore, our research shows that the growth of knowledge is responsible for more than forty per cent of the long-term increase in the nation's Gross National Product—and that education alone is directly responsible for more than half of this forty per cent.

With a direct interest in the role that education plays in maintaining the well-being of society, CED trustees have undertaken a long series of education studies. Policy statements in this area have focused on college education for business careers, the critical requirements of the nation's public schools, the need to expand understanding of our economy, the challenge to provide the urban disadvantaged with equal opportunities for a quality education, and of course the management and financing of postsecondary undergraduate institutions.

In each of these reports, CED trustees have stated what business expects of higher education. Specifically, in relation to the demands of business, we said that we expect college educators to recognize that the entire undergraduate institution—not only its business school—serves as a prime training ground for the growing ranks of management and white-collar employees. As such, we expect universities and colleges

to provide an undergraduate education which strikes a balance in the curriculum between vocational specialization and broad generalization.

Although we expect some students to enter the professional stream with basic job skills directly from college, we expect others who continue in graduate and professional schools to be prepared to manage corporations, to staff research and development operations, and to carry on the negotiations of business with community and government leaders. We also recognize that a large portion of those entering the work force do not require a college degree, but we expect the colleges to produce well-trained secondary school teachers who, in turn, will provide high school pupils with the fundamental skills and the general educational foundation they need to secure jobs and operate successfully in them.

Equally important, we expect all college students to be educated as well-rounded individuals, capable of analyzing, adapting to change, communicating effectively and working with others. We expect colleges to instil in all students a fundamental desire to continue learning and improving themselves by providing the kind of liberal education that will be with them throughout their lives. It is this education that improves society generally.

In sum, we can distil our expectations of higher education into these key components:

> We expect education to be balanced between the enriching qualities of a liberal education and the pragmatic qualities of vocationalism;
>
> We expect postsecondary educational opportunities to be equally accessible regardless of economic means;
>
> And we expect the institutions to adapt their programs to the changing needs and conditions of our society.

CED has stressed these expectations in the past, and again in its recent higher education report, because our studies have shown that, when it comes to making changes, education is generally conservative, because opportunities are not equally distributed to low-income students and because educational programs have too often failed to satisfy the personal needs of the students themselves as well as the requirements of business—the economic sector in which most graduates find employment.

The ability of higher education to meet these expectations became a matter of serious concern at the beginning of this decade. The grow-

ing financial problems of colleges had suddenly transformed profound debate over the future directions of higher education into an awesome struggle for survival.

With approximately ninety per cent of its trustees serving as members of governing boards or college visiting committees, and some as university presidents, and with a deep-seated commitment to education, it was natural for CED to investigate the problem.

The Management and Financing of Colleges is the result of this effort. This statement on national policy is the product of 28 months of deliberation by a study group of CED trustees, professors, academic administrators and public officials. It is based on nearly thirty research papers commissioned by our project director, Sterling McMurrin—a former United States Commissioner of Education and now dean of the graduate school at the University of Utah. In part, the research merely confirmed our worries. We found that by 1971 six of every ten private colleges were spending more to operate than they received in revenue. Numerous public institutions were also operating at deficits. And by 1972, these conditions had worsened. On January 4 of this year, television got into the act with the NBC documentary, "The College Money Crunch."

Slackening enrolments left many colleges hard pressed to pay for the expansions of the 1960s in the inflation of the 1970s. We found the institutions saddled with student vacancies, heavy fixed annual expenditures, and a rate of academic inflation that has been accelerating at nearly twice the rate of inflation in the general economy. It was unmistakably clear that there was a gap between the rapidly rising costs and the funds available now or in the foreseeable future to support the nation's commitment to quality education. The key to survival, we concluded, is better management of the college or university's total resources—better management that will reduce costs, apply new ideas for better targeting of the funds available and increase revenues.

As a business-based economic organization, we felt that CED was particularly able to make positive suggestions as to how the management of colleges could be improved. At the outset, we made these underlying assumptions.

First, we fully recognized that the collegial approach to academic affairs, the tenure of senior faculty and the non-quantifiable nature of the academic product make the task of college management quite different from the job of running a business. We did not believe that our experience in business or economics made us particularly competent to judge the content of academic programs.

Second, adhering to our conviction that it is essential to maintain and, in fact, improve educational quality, we assumed that all recommendations must assist in achieving that goal. In broad terms, this quality depends on diversity. Our society requires the panoply of education that only the full constellation of American colleges and universities can offer. By preserving the full assembly of collegiate institutions, post-high-school education will continue to match the diversity of demand that society and business make of higher education with an equally diverse supply of educational programs capable of accommodating all qualified students regardless of economic means. Within this diversity lies the opportunity for a truly liberal education, one that can enrich a people with the individual and cultural freedoms upon which their true greatness must ultimately depend. But such liberal education must also amalgamate the departments specializing in technical and career programs to give a sense of wholeness to education.

Yet these broad goals reside only within a recognition of the implicit value of a college education. A matter of faith only a few years ago, the worth of higher education has since become a matter of public question. If college leaders are to negotiate adequate financial support, we concluded that they must cultivate confidence in the basic value of higher education among students, parents, legislators and others who finance academic institutions.

The challenge to management extends beyond the task of making improvements in the use of plant and personnel to include the larger function of establishing the very purpose and nature of the institution and communicating its value to the community. The recommendations issued last fall by CED can help college and university authorities meet such a prodigious objective. We fully recognize that these proposals have prompted a great deal of controversy. Indeed, the report has, as we hoped, brought about a national dialogue on some of the most crucial affairs in higher education today. However, we also hope the report will be used as a guide in meeting the challenges of the 1970s. To be useful, the CED statement must be viewed as a closely integrated and interrelated set of recommendations to be examined together.

Our first and paramount recommendation is for each institution to identify its strengths and then proceed to set broad goals in light of those assets. To establish its value and worth, each institution must concentrate its energies on clearly charted goals. A college cannot continue dispersing resources across the spectrum of higher education programs and still survive financially. Each institution must exploit its best resources by supporting goals most appropriate to its character.

Goal setting is difficult in the academic setting, but financial perils make it absolutely critical for each college and university to determine what it can and cannot do to improve its own effectiveness.

Once its broad goals are affirmed, each institution must frame a set of specific objectives and then establish a clear, practical plan of action for attaining them. These objectives must be specific and understood by the entire administration and faculty.

Together, goals and objectives establish the institution's mission, specifying why faculty should teach, why students should attend and why funds should flow to the treasury. This is the heart of the CED strategy.

These fundamental steps will improve instructional quality, increase public confidence and establish progress toward an effective and productive use of funds, staff and facilities. Such efforts by individual institutions, when combined, will go a long way toward preserving not only the quality and diversity of education that I discussed earlier but the very existence of American higher education.

In some of the more specific managerial recommendations, we addressed the alignment of authority and the sharing of responsibility among trustees, administrators, faculty and students.

We proposed giving college presidents all executive authority which is not vested in college trustees rather than specific authority as delegated by trustees. Responsibility must be matched by authority.

Because academic institutions tend to be understaffed in management—with much of the management authority diffused throughout the faculty—we also proposed that colleges recruit professionals who are both sensitive to the uniqueness of academic organizations and competent in modern management techniques.

At the same time, we proposed giving faculty a predominant voice in admission and retention standards, the introduction of programs and courses, graduation requirements and faculty recruitment. Students should have major, but not exclusive, responsibility for advising on matters such as course evaluation, grading practices, curriculum planning and development, and student discipline. Mechanisms to preserve such student and faculty participation are necessary.

Perhaps these suggestions may sound naive. In response to our proposals, many educators can be heard saying: "We are already doing this." Clearly many are; yet we are convinced that the disparate spread of institutional resources and the attending financial difficulties plag-

uing higher education are just as unmistakably the result of a general failure on the part of the institutions to identify authority and responsibility, to establish plans and specify their implementation, and to provide this information to key members of the institution, making sure that it is understood.

Our principal financial recommendation would increase tuition aid to students and couple tuition fees with costs. Generally, we advocate allocating student aid on the basis of economic need as a means of promoting the equal access to higher education that we expect. (We would not, however, eliminate grants and scholarships awarded for excellence.)

Today 77 per cent of all government aid flows directly to the institutions, which in turn subsidize many who are able to pay a larger portion of their college costs. We recommended dividing this 77 per cent total equally between the institutions and students. We would also earmark one-quarter of all government aid as discretionary funds, thereby giving each state the flexibility needed to suit its system of education.

This plan would only retarget the money available. We do not expect that government aid to higher education can increase substantially—beyond keeping pace with the general rise in the cost of living and with any enrolment growth. If no financial reforms are made, rising academic costs will increase tuition burdens on students and their families, because they are the only other major source of income for colleges and universities.

We have detailed a number of management reforms that will dampen academic inflation. Nevertheless, we recognize that students need help to pay for their education in this climate of rising costs—especially the lower-income students who today get a disproportionately small share of government education aid.

In 1970 a college-age student from a family earning more than $15,000 annually was five times more likely to be in college than a person of the same age from a family earning under-$3000 a year. This inequality exists even in public colleges, where 77 per cent of the students are in families with incomes above $15,000.

CED expects and insists on equality of educational opportunity at every level of education. We are convinced that the nation suffers from a tremendous waste of human resources by not providing an equal chance for a postsecondary education to students from all economic levels. We refuse to compromise this principle, but we recognize that it will be difficult to attain.

The CED proposal for direct student aid would help to bring about the equal access to higher education that we expect, without inflicting extreme hardships on more affluent students or the college institutions. Students from the lowest economic groups would be eligible for direct grants awarded on a sliding scale of eligibility as determined by federal and state authorities. And all students needing supplemental funds would be eligible for low-interest college loans.

Once adequate student support is available, we suggest that, as costs dictate, colleges gradually increase their tuitions until student fees equal approximately half the cost of instruction. Our theory is that the benefit of higher education is shared by the society at large and the student personally. Under this proposal the student and family would pay approximately 34 per cent of total college cost and society 66 per cent.

Certainly the dividing line between public benefit and private benefit is difficult to establish. But we believe that our recommendations present a fair way to allocate financial burdens and establish a firm grip on tuition increases that have already begun to run out of control.

With tuitions set at half the per-student cost of instruction, colleges would not suffer any net loss of government aid. Funds that might otherwise have gone directly to the institutions would be recaptured when tuitions and fees were collected from students receiving direct government support. By placing progressively greater burdens on those with the ability to pay, the colleges would also increase their private-sector revenues. In the 1969-1970 school year, which we used for study purposes, colleges and universities would have received a net increase of 1.1 billion dollars in tuition and fee revenues. We estimate that the CED tuition plan would increase tuition between $300 and $500 a scholastic year. The increases would in no case exceed the amount of aid available through a federal college loan program, which we recommend making more generously available. Students, upon graduation, would be earning far more than this increase because of their college degree. Is the proposed income too great for them? And, we ask, is the tuition increase prohibitive to a society that is committed to quality education?

Colleges would confront a new environment. Institutions, in effect, would compete for the reallocated funds by seeking students. Equipped with grants and loans, students would become a new market force in higher education. They would attend schools offering the courses and career training they want. We believe this response to the educational demands of students would invigorate post-high-school

education and promote the adaptability to change that we expect of it.

Many have taken issue with our proposals, particularly with our financial strategy. Many educators—especially in state colleges—argue that while short-sighted legislators will gladly raise tuitions, they will not so quickly increase direct student aid. Others argue that the CED proposal would severely pinch the middle class. They feel that the eligibility requirements for loans would be written to exclude these students. But these problems can be avoided.

Ironically, the legislative cuts and an economic squeeze on the middle class which our critics envision are already taking shape on a scale of major proportions because there have been no reforms. Middle-class students—who now receive indirectly a disproportionate share of institutional aid—find they are unable to secure the supplemental funds they need to meet growing tuition costs in both private and public schools. Revenue gaps bring on progressively more cuts in staff maintenance and quality. And legislators, quizzing the wisdom and direction of the state institutions, are demanding more accountability and trimming of educational outlays.

Our statement, *The Management and Financing of Colleges*, is a motion for change. It is grounded on what the CED study panel recognized as the economic realities of post-high-school education. To work, it will require the cooperation of legislators, decision-makers in the institutions, and the general public.

We speak of an accountability beyond that which is traditionally expressed in terms of students, personnel and degrees. We speak of an accountability for the very mission of the institution, the strategy for achieving it, the assignment of responsibility, the fixing of authority and the setting of financial targets. This larger, self-generated accountability which CED proposes will not only produce greater understanding by the public, students and alumni but also greater credibility among law-makers, thereby dampening legislative inroads on the autonomy of higher education.

This accountability proposed in *The Management and Financing of Colleges* will also lead toward fulfillment of the expectations that we businessmen have of higher education. Let me emphasize that we expect higher education to provide education of the full person; to adapt programs to the changing needs of students, employers and society; to make itself equally accessible to students from every income level, and to supply a diversity of programs and educational format that exists only in terms of the full assembly of institutions.

The Management and Financing of Colleges, in effect, has translated these broad expectations of higher education into a set of clearly defined responsibilities that fall on the shoulders of those most directly connected with higher education. We expect lawmakers to allocate aid in a way that will give support to those who need it the most. We expect the academic community to define its role in each institution and then to cooperate by using the proposed management techniques to steer the academic operation productively toward those ends. We expect students to assume, as far as they are able, up to half the cost of their undergraduate instruction—even if this means repaying loans after graduation. College is a definite employment benefit and we expect students to agree that the benefit is worth paying for.

If everybody concerned responds in the manner we propose, I contend that higher education will survive and that, in surviving, it will maintain a healthy diversity and increase educational opportunities. If these expectations are not met, today's financial problems will become tomorrow's crisis.

What Does Higher Education Expect of Business and Industry?

LANDRUM R. BOLLING

It is a particular pleasure to appear on a program designed to bring together the concerns of business and education. There is an inevitable partnership in so many ways between these two crucial sectors of our society, and we need especially to explore how our interests interconnect and how together we may more significantly and responsibly deal with certain overriding challenges of this bewildered and bewildering age.

At the outset I must put in a disclaimer. I am not able to speak for "higher education" and to say "what higher education expects" of the business and industrial community. There are all kinds of higher educational institutions and all kinds of expectations and viewpoints. No one in his right mind is going to be so presumptuous as to claim to speak for all of higher education—on anything.

Taken literally, the topic I have been assigned is one I could deal with in about two minutes and sit down. (No one who has been a college president, of course, is going to run the risk of betraying his fraternity by any such rash action.) To the specific question there is one simple answer: to make profits and give away to higher education as much as possible. On one level, What Higher Education Expects of Business and Industry is a question that can be answered with these obvious points:

1. Money
2. Jobs
3. Moral and political support
4. Technical and managerial services and advice

However, there are two other points—perhaps less obvious—which I want to make at the outset. First, I believe education *ought* to expect

the business community to provide a direct educational input into the college and university experience. If wars are too important to be left entirely to the generals, education is certainly too important to be left just to the professors. In a time when it has become fashionable to talk about experential education—and I favor reforms in that direction—we need to develop thoughtful, deliberate strategies for providing a variety of field learning experiences in business and industry as a legitimate extension of the campus educational experience. Of course, I mean this as an endorsement of cooperative arrangements as pioneered by University of Cincinnati and Northeastern and Antioch. I mean also the newer field term experiments at Beloit and Kalamazoo. But I mean more than that.

I feel that for the partnership of business and education to become really significant, we need to find more and better ways to involve businessmen and businesswomen with educators. We need to bring people from the outer world on to the campuses to share experiences and insights. I have in mind, for example, the Woodrow Wilson Senior Fellows program. We ought to encourage more academics to spend sabbaticals and leave periods and research time in factory and shop and board room. Both education and business need all the help they can get. Much of that help they can get from each other.

The second concern I have (beyond my original four points) as to what business can do to help education has to do with our urgent need to make more rational adjustments, more sensible long-term plans for coordinating the public and private sectors in higher education, and to rid ourselves of the scandal of duplication and waste in using scarce resources.

Instead of trying to answer the question as it was framed on the program, I want to share with you some of my long-evolving concerns about the partnership between the academy and the business world, between education and the broader community, with respect to the fundamental issues of human survival and human development. It is clear by now that all our institutions face a whole complex of interrelated problems that challenge our very existence. It is also clear that no segment of society can solve those problems by itself and for itself. Central among these common problems is the issue of values and purpose and meaning for individual lives and for institutions. Academia and the outer world have to recognize the grim realities of our predicament in this time of acute questioning of the credibility of all our institutions and the fundamental goals and values upon which they are based. If we cannot address ourselves effectively to those questions, the rest of our partnership will not very much matter.

These value questions, I believe, stand in a crucial relationship to the host of management and educational problems about which we have had so much talk and so much research. And I am sure that the same or similar value questions challenge the men and women of the business world.

Let me begin with some effort to summarize what expert observers say about the problems of higher education.

Recently Fred Hechinger, commenting in *The New York Times* on the final report of the Carnegie Commission on Higher Education, wrote that the commission "has painted a gloomy picture of grave trouble on the entire education front, the mood in academia is one of not being appreciated, wanted, supported. In the Commission's words, 'a traumatic loss of a sense of assured progress, of the inevitability of a better future, has occurred.'

"In education, as in the country at large, there are intimations of 'nostalgia for a Paradise Lost.' The prevailing attitude, in the words of Clark Kerr, the Commission's chairman, 'is more to look back with longing than to look ahead with hope.'."

Right away I am led to speculate on two value questions that shape the thinking of a great many of us in both education and business. One is "progress," the other "hope." To a large degree we have tended to make a god of "progress," and to see progress as growth, expansion, "bigger and better." How will we adjust to a steady-state economy? How will we make "progress" in an educational system that stops building more and more new buildings and can no longer add more and more students? Certainly not without a lot of hope.

Hechinger goes on to summarize some of the troubles so easily discernible in education: the slowing rate of increase in enrolments (and the prospect of an actual decline in numbers by the 1980s); the growing confusion and disagreement among the faculty over the purposes of college education; the growing uncertainty of many qualified young people as to whether college is worth the time and money; the crisis-management mood of administrators always caught up in the search for short-term answers to the problems of immediate survival.

"Perhaps most chilling," writes Hechinger, "is the Commission's suggestion that a parallel exists between some aspects of the railroad industry and higher education. In the face of new competition and public tastes, the universities, like the railroads after *their* golden era, are now 'burdened with old mentalities'."

Someone once said that the trouble with the railroad people was that they forgot they were in the people-serving transportation business and came to think they were in the railroad-operating business. Some of our critics suggest that educators at times forget they are in the human-development education business and think they are in the institution-operating business.

"Will the universities," Hechinger asks in conclusion, "like the railroads, pursue a defeatist, obsolescent course until the Government at last tries to bail them out? The risk that they may now opt for a passive response to their current crisis of identity, money and goals is heightened by the fact that the universities have become accustomed to having their goals spelled out for them by the off-campus world—such as the demands of defense and other external mandates."

"For the moment, neither the American people nor the Nixon Administration appears to be making any specific demands of the kind that might galvanize the universities into renewed self-confidence. This lack of external pressure could actually be turned into an advantage—if the academic leadership had the vision and the strength to call the shots and to tell the people what higher education plans to do for them. There are, of course, risks in taking the initiative. The far greater risk is to wait for orders."

I have known Fred Hechinger for a long time as a fair and honest observer and critic of the American educational scene, and, largely, I share his views. However, I want to raise some questions about what kinds of initiatives within the educational community might be productive of what ends. More activist administrators, more united faculties, more contented or highly motivated students, and more generous donors and legislators—great as such blessings, we assume, would be—would not necessarily save the Academy from its troubles or from threats to its influence.

The first thing we have to recognize, I believe, is that the troubles of the Academy are very much a part of the broader malaise of the whole society, and that they cannot be dealt with ultimately without addressing ourselves to the general social condition. Education and business are struggling to stay upright on the same kind of slippery slope.

Secondly, I have the uncomfortable conviction that many of society's troubles are exacerbated by the Academy, that too often we in the educational community could be charged with being a part of the problem as readily as we could claim to be part of the solution. (Before you brand me as a renegade educator bent on fouling my own nest with anti-intellectual garbage, let me quickly go on to say that I believe the Academy

not only can but does possess the essential resources with which to attack the very ills and misfortunes of which we complain—and that no other contemporary institution can so well do what most needs to be done for all of us.)

And what is it that most needs to be done—and that education can undertake to do?

Let me give you a shockingly simplistic answer. Our greatest need as a society is to capture or recapture some new sense of purpose and value and meaning in our personal lives and in our society. The greatest need of education is to reassert a central role in the search for and the definition of values and meaning. And the greatest thing business can do for education is to enter into full partnership with a revitalized educational community in the search for value and meaning. This, we used to think, is what liberal education is all about.

In the long run, only if value-oriented people are turned out by the schools, can a free, open, responsible economy be maintained.

America today has the feel of a nation that has lost its way. At no other time in the memory of any of us has there been such a prolonged period of uncertainty and doubt and fear about the future. In addition to the deeper malaise many have discussed for a long time, some of the immediate tangible indicators of our state of health also discourage or alarm us—the state of the economy and the state of the government, and, on another level, the falling birth rate. The energy crisis has shaken our faith in the whole economy as nothing else since the Great Depression. Those interrelated and parallel misdeeds, criminal acts, bad judgments and evasions that we have come to call the Watergate Scandals have undermined confidence in our national governmental leadership to a degree unknown since the convulsive, bloody days of the Civil War and the Reconstruction. Meanwhile, if the opinion polls are to be believed, popular faith in a whole broad range of institutions has fallen to shockingly low levels. The church, the schools, the press and business, along with government (and, yes, foundations) are under a cloud. Their leaders are widely viewed with suspicion, and often disdain. All of our elites are in trouble. Many of our once popular national goals are rejected. Many of our once accepted hopes have been abandoned.

We did not come to this state all at once. Long before Watergate, long before the convulsions over Vietnam, one of our wisest and most humane academics, Abraham Maslow, wrote this judgment:

> . . . the ultimate disease of our time is valuelessness; second. . . this state is more crucially dangerous than ever before in history; and finally. . . something can be done about it by man's own rational efforts.

> The state of valuelessness has been variously described as anomie, amorality, anhedonia, rootlessness, emptiness, hopelessness, the lack of something to believe in and to be devoted to. It has come to its present dangerous point because all the traditional value systems ever offered to mankind have in effect proved to be failures. Furthermore, wealth and prosperity, technological advance, widespread education, democratic political forms, even honestly good intentions and avowals of good will have, by their failure to produce peace, brotherhood, serenity and happiness, confronted us even more nakedly and unavoidably with the profundities that mankind has been avoiding by its busy-ness with the superficial.
>
> We are reminded of the "neurosis of success." People can struggle on hopefully . . . for false panaceas so long as they are not attained. Once attained, however, they are soon discovered to be false hopes. Collapse and hopelessness ensue and continue until new hopes become possible.
>
> We are in an interregnum between old value systems that have not worked and new ones not yet born. . . .
>
> The cure for this disease is obvious. We need a validated, usable system of human values, values that we can believe in and devote ourselves to because they are true rather than because we are exhorted to "believe and have faith." And for the first time in history, many of us feel, such a system—based squarely upon valid knowledge of the nature of man, of his society, and of his world—may be possible.

Those words were written about the end of 1957. And they were written not by some gospel-quoting preacher but by a Jewish scientist who, however much a maverick he may have seemed to some in his profession, was sufficiently respected as a professional to be elected president of the American Psychological Association.

To be sure, one could quote endlessly from clergymen and theologians as well as from secular scholars in many disciplines whose thinking runs in the same vein. Unfortunately, many of those social critics do not come out with such an affirmative hope as Maslow expressed.

And what of the attitudes of today's young people, the students of the Now Generation—whose welfare and education is, after all, our primary concern? During the holidays I had an opportunity to read a term paper written last fall by a college junior. Let me quote a passage:

> I realize that although much has changed, the experience of nothingness is still alive. It is different from the experience of the 60s but the void is still . . . very much there.
>
> In looking at myself and my peers now, I see a feeling of apathy. It's as if we're all saying "we tried, but there's nothing we can do for the world, so let's just forget about it and worry about ourselves instead. . . ." The desire to change what seems wrong in the world is over. It's as if the futility of demonstrations has been recognized. We seem to be coming out of a politically involved age into a self-development age. The cliché "do your own

thing" applies more to this day. . . than ever before. . . people are more inclined to follow their own dreams either alone or in small groups.

On the question of the older generation's values, the matter was dismissed with these words: "The myths of society that were being violently rejected in the 60s seem almost to be a joke in the 70s. Some people continue to live by them, but on the whole the youth of the 70s disregard their existence."

Now I hope that long ago I put aside the temptation to believe that the young have great and unique wisdom not given to their elders. I have not much patience with those professorial types who over-identify with the young, imitate various superficialities of their life styles, and pronounce this generation of young people as the "noblest, brightest, most honest, finest, most beautiful" that ever lived. I agree they are wonderful, but the young of today are as capable of short-sightedness, selfishness, moral arrogance and pride as the rest of us. And they are unmistakably afflicted with handicaps of limited knowledge, limited experience and a certain innocence, whether harmful or charming or despairing. Having said all that, let me go on to say that I think we need to pay more, not less, attention to what the students are saying, thinking, feeling and doing. We need to listen to them, not to the end that we automatically agree with what they say, but to the end that we hear them and respond to them. And, more importantly, that we involve them significantly in the ongoing work and decision-making of our society, and particularly in the work and decision-making of the educational community. Here is where the partnership between business and education could become most meaningful.

If what I have said thus far suggests that I think we should pay more heed to the intellectual prophets and to the young, what is it really that they are trying to say? How significant are the questions they raise, how reliable are the judgments they put forth? And most important, what implications do we draw from them in devising a strategy for the future?

Much of what we hear from many contradictory voices has to do with issues of social change. Some bombard us with increasingly tired rhetoric about change—endless change, inevitable change, irresistible change. Some see every change as inherently desirable, if for no other reason than that it represents a break from the old, the outmoded, the conservative, the restrictive, the bad. Some see change as essentially evil—bringing a destruction of nature, a dehumanizing of man and a corruption of his social institutions. Still others see change as largely capricious, mindless and, like life in general, absurd. Few there are any

more who cling to the easy optimism of earlier decades of this century when the cult of progress—inevitable progress—held the field. Two world wars and the horrors of Nazi and communist concentration camps, plus the racial, social, economic and generational conflicts in the democratic West, have done in that simplistic view of automatic pregress.

One of the essential tasks of education in our time, I believe, is to encourage the young to study the whole question of change and continuity honestly, in depth and, so far as possible, freed from ideological bias. This means drawing upon the resources of history, sociology, philosophy, psychology, religion and literature, at least, and upon the observable experience of business and industry and government. It means field experience in the world of work as well as on-campus courses.

Such studies of change and continuity, seriously undertaken, would produce, I am convinced, a heightened understanding not only of the need for flexibility toward change and of the openness of many established institutions, including business and industry, toward change, but also a new awareness of the crucial importance of various kinds of continuity.

As a part of that exercise we need to help students explore thoroughly the record of what has happened in our efforts to deal with social and economic problems in this century. Many young people are taken in by radical-chic politics, pop sociology and fraudulently moralistic history. The old super-patriotic "America is always Number One" indoctrination is rightfully rejected. Yet many young people have come somehow to believe that America is the worst of all societies, that it is increasingly a failure in handling its social, economic and political problems, and that our established institutions always oppose change.

There are responsible, honest intellectual answers to the pop-culture distortions about our history and current social conditions. What is called for is certainly not a harsh putting down and shouting down of such critics. What is needed is a more thorough, most rigorous examination of the record of social progress in this country, so that any honest person can discover for himself the absolutely amazing achievements of this society in dealing with poverty and injustice and the social resources available and committed for continuing work against a whole range of social evils. This I strongly believe, yet I feel not quite academically respectable to say such things.

Academics and intellectuals are by nature committed to criticism, members of what Lionel Trilling has called the "adversary culture."

The very success of the academic world in drawing more and more people into higher education has enormously expanded the size and popular influence of that adversary culture.

We need such an adversary culture. Critical prophetic voices are essential in every age. Freedom of speech, freedom of press and freedom to teach and to learn are among the most fundamental of all human rights. Any society that would remain alive and open and free must build firm safeguards into its laws and social practices to defend those who criticize it. Businessmen must understand that, must see that they have just as much of a stake in the maintenance of such freedoms as any writer, artist or teacher. Human freedom as a central value in our culture is indivisible. Those who advocate, manage and benefit from the free enterprise system should understand that they share a common cause with the academics and intellectuals. All of us can benefit from working together in partnership in behalf of the maintenance of all of our freedoms.

Strongly as I believe in the defense of freedom of expression, even for those with whom I disagree, I, nonetheless, in the silence of my own mind ask myself at times whether the volume, the emphasis, the character of some of the adversary pronouncements that emanate from the Academy and the media do not produce a serious over-all distortion, do not feed the sense of valuelessness, purposelessness and meaninglessness about life in America, and about life in general. That thoughtful, honest, searching men and women should often feel driven to the brink of despair is understandable as we confront various aspects of the human condition, as we contemplate the worst that has happened and the worst that might happen.

Robert L. Bartley, writing recently in *The National Observer*, quoted the late Professor Richard Hofstadter as having said in 1970: "I don't suppose there was any age in which you had such a mass consensus of intellectuals on their own alienation as you have in this period."

That consensus is partly based on rational analysis, but it is also based upon an inadequate or partial examination of the evidence and is strongly influenced by the non-rational pull of fashion.

In his *Anti-Intellectualism in American Life* (which won for Hofstadter a Pulitzer prize), he wrote:

> Dissenting intellectuals often seem to feel that they are morally on trial for being intellectuals, and their moral responsibility is then interpreted as responsibility primarily to repudiation and destruction; so that the measure of intellectual merit is felt to lie not in imagination or precision, but in the greatest possible degree of negativism. The responsibility of the intel-

> lectual is not seen, in the first instance, as a responsibility to be enlightening about society, but rather to make an assertion against it—on the assumption that almost any such assertion will presumably be enlightening, and that in any case it re-establishes the writer's probity and courage.

(That statement, let me recall, was made not by a recent, unlamented Vice President but by a first-rank scholar-intellectual at one of our major universities.)

There are two other reasons, I believe, for widespread intellectual negativism beyond the one Hofstadter gives. One of these is the sense of powerlessness felt by academics, by media intellectuals, and especially by college students. Bright, idealistic, articulate, they feel they have analyzed the problems of society and know the answers. But, too often, governments, business and other segments of the established order will not listen, or appear not to listen. The processes of decision-making in our society are often halting and cumbersome, and sometimes even the generally admitted right answer is slow of adoption. Moreover, often there is strong disagreement, whether influenced by blatant self-interest or not, as to what the correct answer should be. Inevitably, the intellectuals both feel impatience and rejection. If power corrupts, powerlessness corrupts also. Within the intellectual community there is, in fact, much power (particularly in the hands of the media), and yet there is also a sense of powerlessness both with regard to the determination of social policy in general and in regard to defending the right of the intellectual to say his piece. Intellectuals, like other fallible humans, are subject to the corruption of power and the corruption of powerlessness.

A second reason for the negativism of the intellectual community, I would suggest, is to be found in the widespread secularization of that community. Whatever anyone may say against religion, it has been a means for organizing and affirming transcendent hope, for relating oneself and one's society to some larger scheme of things, to some divine plan that will triumph ultimately in spite of man's failures and disappointments. Many academicians today no longer share that hope. The tangible evidence they examine, in the absence of any believer's *Weltanschauung*, leaves them despairing and, almost inevitably, negative.

But the religious impulse continues to break forth within that community and particularly among the young. Whether discouraged by professors or not, this generation of students is to a remarkable degree re-exploring the non-secular with earnestness and enthusiasm. Enrolment in formal courses in religion is at an all-time high, and there are lively departments of religion on state university campuses where, it

was once thought that the teaching of religion was probably unconstitutional and surely deplorable. Beyond that, students are into the widest imaginable variety of religious practices and experiences.

All of this brings me now finally back to the role of the Academy in exploring value systems, in helping with the search for purpose and meaning.

It is not the role of the college or the university to indoctrinate its students in a given dogma or creed or to require some practice of religion. It is the duty of an educational institution to recognize the reality of human concern with the non-secular, the spiritual, the religious and to help students confront the ultimate questions raised by the various religions. Both in research and in teaching, it should be accepted as natural and proper that the transcendent, the paranormal, the mystical should be regarded as legitimate matters for intellectual inquiry. The Academy has no obligation or right to impose the value systems attached to any religion upon its students; it does have an obligation to see that such questions are treated seriously and honestly.

These comments about religion and values on the campus I make with conviction, but I do not want to have the Academy's concern for values, purpose and meaning seen primarily in terms of a relationship to religion. In academia or in business, in a secular or non-secular world, there is urgent need for both an ethic and an ethos out of which responsible, effective and constructive lives can be lived. A society that has lost its way with respect to fundamental values is likely to be in trouble in all directions. Corruption in government means also corruption in business, and vice versa. And an educational system that ignores or down-grades the issues of value definition, discovery and affirmation is failing both government and business and all other elements in society.

Let me come back finally to the topic that I was given and that I so freely translated: What *does* higher education expect of business and industry? Within the context of concern for value formation, allow me to close with these hortatory appeals. We ask business and industry to form an enduring partnership with education to these ends:

1. That we demonstrate separately and jointly unmistakable standards of simple honesty.
2. That we conduct our affairs with due regard for long-term consequences rather than short-term gains.
3. That we administer our enterprises by standards that exemplify sustained concern for human beings—their growth and fulfil-

ment as people, not just their accomplishment of production goals, either in goods or in course credits.

4. That we cultivate human relationships that are open and mutually respectful, regardless of rank, race or religion.

5. That we set ourselves the task of maximizing the chances of individual success, whether as worker or student. (A goal sometimes set by workers in industry is "Zero Defects." Dr William Glasser has challenged education to develop "schools without failure." Both education and industry should work harder to see that human potentials are more fully realized than is now the case.)

6. That we demonstrate in our environments, campus or factory, and in our products, whether goods or academic performance, greater concern for esthetic and functional quality.

7. That we commit ourselves to an on-going involvement of business and education, along with other segments of society, in a searching dialogue on the values necessary for a decent life and the best means to sustain them.

I refuse to believe that the cult of valuelessness, meaninglessness, purposelessness must win. But I am convinced that if we are to make it through this time of troubles we must marshal all the forces of health and sanity and purposefulness we can summon from every quarter. No segment of our society has a corner on wisdom or virtue or understanding about these ultimate questions. But neither can any of us afford to stand aside from the struggle to make the talk of values into the real stuff of shared life experience.

Financing Higher Education: The Current State of the Debate

HOWARD R. BOWEN

The perennial debate on the financing of higher education has been unusually spirited in the past five or six years. It may now be reaching a climax. Literature on the subject has been multiplying and no less than six major reports by eminent national groups have recently been issued. Also, controversy is heating up, especially over the frequent proposals that tuitions in public institutions should be raised and that students should be financed—more than in the past—through loans.

I have been asked to analyze and comment on the six recent reports. These include (in alphabetical order) reports of the Carnegie Commission, Committee for Economic Development, National Board on Graduate Education, National Commission on the Financing of Postsecondary Education, National Council of Independent Colleges and Universities, and the Special Task Force of HEW chaired by Frank Newman.[1]

My plan is to deal with the subject in three stages: First, to provide some historical perspective on how we got where we now are; then to present the major themes and broad implications of the six reports (being careful not to get mired down in technical details); and finally to present a critique of these reports.

I

Higher Educational Finance before World War II

World War II was a kind of watershed in the financing of higher education. Before the war, the theory and practice of higher educational finance had been quite settled.

The finance of students was primarily a responsibility of parents, and of students themselves through part-time earnings. Scholarships

and loans were in use but were not prevalent or major forms of student support. Working one's way through college was the accepted and respected mode of student aid.

The finance of institutions, on the other hand, was largely a responsibility of "society" as represented by state government, churches and private donors. The federal government was involved only marginally and corporations almost not at all. An accepted pre-war dogma, scarcely debated, was that tuitions should be low to encourage attendance of young men and women of all social classes. Tuitions and fees in state institutions averaged about $100 a year or a little more. Private tuitions were about 2½ or 3 times public tuitions—as compared with five times today.

II

Post-war Changes

Immediately after World War II, the GI Bill brought new vigor to higher education and opened up opportunities to young men and women far beyond previous expectations. But the GI Bill was short-lived. When the GIs left college, around 1950, higher education lapsed back into a period of poverty, and remained in a depressed state until the late 1950s. But after 1957, when the nation was aroused by the launching of Sputnik, some spectacular changes occurred:

1. Grants to students, based on a systematic means test rather than on scholarship, became common, especially among the private colleges.
2. The use of loans in financing students was expanded sharply.
3. With the increasing number of married students, a legacy of the GI period, spouses became a major source of support for students.
4. The federal government became a growing supplier of funds for both grants and loans to students.
5. The federal government became an important contributor to institutions through a wide array of grants, contracts and loans designated chiefly for research, training and buildings.
6. Philanthropic foundations grew in numbers and resources.
7. Profit-making corporations became patrons of higher education.
8. Colleges and universities became more aggressive and professional in their fund raising.

9. State and local governments greatly increased their appropriations to public institutions; some established state scholarship programs, and some made grants to private institutions.

10. Tuitions were raised year after year by both public and private institutions. The percentage increase in tuitions averaged about 5 per cent a year for public and 7.5 per cent for private institutions. Educators were amazed that these tuition increases called forth so little reaction from patrons.

The chief effect of these changes was to infuse vast amounts of new money into higher education, some for institutional support and some for student aid. With this new money, the dramatic growth of enrolments was possible. Surprisingly, however, these changes did not alter very much the pattern of institutional support. The shares of total income derived from tuitions, state appropriations, and other sources remained remarkably constant over the decade following Sputnik. For example, in public institutions, tuition income as a percentage of total educational funds, increased from 13 per cent in 1957-8 to 17 per cent in 1967-8, and for private institutions from 33 per cent to 37 per cent. Moreover, the rise in expenditures per student just about kept pace with per capita disposable income. In other words, the standard of living in colleges and universities was rising at about the same rate as the standard of living in families.

III

Proposals for Federal Institutional Grants

By 1967, when the process of rapid growth and expansion had continued for just about a decade, financial strain began to set in. Institutions had pushed existing sources of revenue as hard as they could, but enrolments were still growing and costs were still rising. So educators began to cast about for still more revenue. Then attention turned to the possibility of institutional grants from the federal government. The American Council on Education,[2] the Association of American Colleges,[3] the Association of American Universities,[4] and the National Association of State Universities and Land-Grant Colleges,[5] all went on record in 1967 or 1968 in favor of institutional grants. The common plea was to retain all the then existing forms of federal aid and add institutional grants—the new money to be distributed according to formulas yet to be devised.

The proposal for federal institutional grants was based on three tacit assumptions. One was that expenditures would continue to rise rapidly

because of growing enrolments and rising costs. Another was that, though federal categorical aid was desirable, it did little to meet the basic operating costs of institutions and unrestricted funds were needed as well. The third assumption was that a steady rise of tuitions would be on principle socially harmful.

The search then began for suitable formulas that might be used to distribute federal institutional aid. Many were proposed. Even I devised such a formula, and the booklet in which it was contained[6] became one of the very first publications of the Carnegie Commission. Indeed, the commission gave considerable attention in its early years to federal institutional aid.[7]

The conclusion I draw from this history is that as late as four or five years ago the academic community was overwhelmingly in favor of low tuitions, was alarmed at the prospect of having to raise tuitions year after year in the future, and saw general institutional support from the federal government as the best answer.

IV.

New Approaches

But around 1968, during the discussion of institutional grants, some new concepts were beginning to get a hearing. One of these was that the major goal of new federal programs should be to encourage needy and lower-middle-income students to attend college. It was argued that federal aid should be primarily in the form of grants and loans to low-income students and that institutional aid should be in the form of added cost-of-education allowances to assist those institutions accepting needy students. This was the burden of the Rivlin report which was prepared in the last months of the Johnson administration and issued in January of 1969.[8] This idea eventually became the underlying theme of the Higher Education Amendments of 1972.

In the early 1970s, other more radical lines of thought were emerging. Some were advanced by those who had become disillusioned with higher education because of campus unrest, some by public officials who wanted to bring costs under control, and some by economists who presented technical arguments. In general, with variations in detail, the critics converged on three proposals.

The first proposal was that higher education could and should be more efficient. The seemingly endless escalation of costs should be slowed down. Some of the critics argued that higher education was becoming over-expanded—that it was trying to educate more people

than could benefit. Some argued that higher education had gone out of balance in that too much was being spent on graduate study, research and esoteric specialties, and not enough on undergraduate education. And some argued that institutional efficiency could be improved through mechanical technology, better use of building space, new academic calendars, larger classes, etc. From this line of argument arose the demand for cost analysis and measurement, program budgeting, and accountability—all of which are lively topics today.

A second proposal that came on strongly after 1970 was that the support of public colleges and universities should come relatively more from tuitions and relatively less from taxes. The high tuition idea was adopted by some on the pragmatic ground that additional funds were needed and that tuitions were the only potential source. It was argued that because of the turn of public opinion against the academic world, the intensified competition for existing tax monies, and the political resistance to tax increases, the old sources could no longer be expanded.

But the idea of high tuitions was advocated by others, including many economists, on principle. Some argued that both equity and efficiency would be promoted if the higher education "industry" were operated without public subsidy along the lines of the free market, with tuitions covering the full cost of instruction.[9] Equity would then be assured because those benefiting would pay for services received and well-off families would no longer get unneeded subsidies. Efficiency would be assured because only those educational services would be produced which student-consumers thought worth paying for. To attract paying customers, institutions would be motivated to offer excellent education, and to meet market competition they would have to be efficient. Charles Carter, the distinguished economist and vice-chancellor of the University of Lancaster, derisively called this scheme the "jam factory" theory of higher education.

Other economists, taking a less radical approach, advocated more moderate increases in tuitions. Their aim was to capture some of the subsidies now being received by high-income families and use them to support low-income students and to augment institutional budgets. This is the basic philosophy underlying several of the recent reports we are considering today.

A third new idea was that long-term loans of substantial amount should be used regularly for the financing of students. Almost everyone agreed that a generous system of student aid would be essential to keep access and opportunity open. Some argued that the aid should

be wholly or largely in the form of grants financed mainly from public funds.[10] But many others thought long-term loans should be a major source of financing for low- and middle-income students. Only through a system of loans combined with high tuitions would government be relieved significantly of the cost of higher education and new sources of funds tapped. And so a great deal of effort was devoted to inventing long-term student loan schemes that would be tolerable to students, that would be politically and morally acceptable, and that would give relief to the public exchequer. To date, the nation is still a long way from an adequate loan program as defined by advocates of heavy borrowing, but efforts continue.

The approach to higher educational finance through high tuitions and student loans was seen to have an important collateral effect. It would narrow (or even close) the tuition gap between public and private institutions and help to correct the unfavorable competitive position of the private sector. Thus, educators in the private sector were occasionally tempted to advocate high *public* tuitions and student aid through loans. However, on the whole, educators in the private sector were quite restrained in their political activities especially as many of them sincerely favored low public tuitions.

To conclude, the basic issues in the recent debate are clearly those relating to efficiency, levels of tuition, long-term student loans, and the competitive position of the private sector. However, several other secondary issues have emerged. These are:

1. Should student aid, whether in the form of grants or loans, be fully portable so that students would bring their aid, and possibly also cost-of-education allowances, to the institutions of their choice? Or should the aid be dispensed by the institutions?

2. What will be the effects of the recent lowering to eighteen of the age at which young people reach the majority? How will it affect the administration of a means test in the allotment of student aid? And how will it affect the definition of in-state residence?

3. Should tax incentives for charitable giving, and property tax exemptions of colleges and universities, be curtailed, held steady, or expanded?

4. How should the growing programs of adult education be financed with respect to both institutional costs and student support?

V

The Recent Reports

So much for the historical background. Let me now turn to the six recent reports, all of which are in my judgment worthy contributions to the discussion of higher educational finance. I should warn you that not all of the reports have been published and I have not had access to the latest revisions. If I am guilty of misinterpretation I hope that members of the discussion panel will set me straight.

All are remarkably restrained and moderate in their recommendations. In spirit, they are incremental. For example, no one of them argues for zero tuitions or for full-cost pricing or any other sharp break from past practice. Some recommend that even the moderate changes proposed be phased in over a period of years. Nevertheless, these documents do point in a certain direction. Indeed, they point in the direction that the system is already moving. If they influence policy, they will hasten trends that are already evident.

I shall not summarize the reports one by one, or outline them in great detail. And I shall not quibble over statistical discrepancies and ambiguities, of which there are some. I shall try to concentrate on the major issues which are few in number and conceptually quite simple. The first is efficiency.

A. *Efficiency.* Two of the documents stressed institutional efficiency. I refer to the reports of CED and the National Commission. The Carnegie group did not dwell on efficiency, only because one of their earlier reports was specifically directed toward that subject.[11] The CED report contained an extended discussion on strengthening internal governance and management as a way to improve efficiency. I found this section of the CED report rather homiletical in tone and not very fresh or provocative. I appreciated, however, its sensitive concern for academic considerations in dealing with matters such as faculty tenure, faculty and student participation in governance, and mechanical aids to teaching. This was no crude "managerial" approach to higher education.

The National Commission emphasized the controversial area of cost analysis and unit cost measurement. These concepts were presented as keys to both efficiency and accountability. The commission had been instructed in its enabling legislation to develop national uniform standards for calculating costs per student. The implication of the directive was clear. In the future, institutions would be expected to compute their costs for purposes of internal management and re-

port their costs for purposes of assessing over-all institutional efficiency and perhaps even as a condition of receiving federal aid. The CED group also advocated cost analysis.

The prospect of mandatory cost analysis and cost reporting has been worrisome to many educators. Some of the worry stems from the belief that colleges and universities are unified entities producing many products, and that joint costs cannot readily be allocated to particular outputs. More of the worry stems from a deep concern that measurement of cost will be grossly misleading unless there is corresponding qualitative assessment of the product. So, it is feared—with ample justification, I think—that spurious cost figures may be used by funding agencies to beat down the quality of instruction wherever it rises above the average.

The question of cost analysis was also considered by the National Board on Graduate Education. The problem of allocating costs is especially vexing in complex universities with graduate programs. The report of the graduate group contained an illuminating essay on cost analysis by Professor Frederick E. Balderston of Berkeley. He pointed out that in principle, even if technical problems could be overcome, no single uniform cost figure would be appropriate for all kinds of decisions. Different cost concepts would be needed for different purposes.

The National Commission during its deliberations heard all of these worries and concerns about costs many times and took cognizance of them. But in the end they recommended that cost analysis be pursued as a tool for improving efficiency in higher education.

My own view of the cost question is that educators must be increasingly concerned about cost analysis and should be developing more meaningful cost data. They must accept the fact that public concern about costs is legitimate and desirable. The past habit of measuring quality in terms of inputs instead of outputs, which implies that greater expenditures invariably lead to higher quality, is no longer acceptable. What must be done is to find better measures not only of cost but also of output. Neither of these concepts, standing alone, tells us anything about efficiency. Efficiency is measured as a ratio between two variables: cost and output. Meanwhile, we educators must do our best to achieve public understanding of certain obvious facts: (1) meaningful cost measurements are technically difficult; (2) output measurements are vastly more difficult; and (3) meaningful measurements of efficiency will never be wholly quantifiable and will always be partly judgmental.

I should like to offer one other comment on institutional efficiency. This is that concerned outsiders—such as businessmen and legislators

—are prone to underrate the present efficiency of higher education and to exaggerate the gains that are feasible without unwarranted sacrifice of quality. I felt that the CED report was by implication unrealistic in its estimate of the amount of gain likely to be achieved through better management. Critics sometimes forget that higher education has, on whole, long been a depressed industry and that it has recently been squeezed through a pretty tight wringer. There is not much fat. It is true that some institutions might make one-time cuts in cost per student of as much as five per cent without serious damage to quality. Some might even manage to do this several years in a row. But no institution can do it year after year. As suggested in the Carnegie Commission report, *The More Effective Use of Resources* (1972), a reasonable goal for efficiency-improvement is to cut the annual increase in real cost (after allowance for inflation) by one percentage point. Instead of increases in real costs as in the past of three per cent a year, an institution might, with sustained effort, reduce that rate of increase to two per cent a year.[12] Such a saving is well worth striving for, but it will not solve many of the financial problems of higher education.

B. *Tuitions and Student Aid.* The central financial recommendation of several of the reports is that the tuitions of public institutions should be gradually raised, *provided* adequate aid for low- and middle-income students is made available. That proviso is critical.

The Carnegie Commission proposed a gradual and very modest increase of public tuitions over a ten-year period to one-third of educational costs (with an exception for community colleges) and a slowing of the rise in private tuitions to no more than the growth of per capita disposable income. On the whole, the Carnegie report is quite moderate and generally favors continuation of the present system of finance rather than abrupt change. The CED report made a much more drastic recommendation that public tuitions be raised over five years (ten years in the case of community colleges) to half of educational costs. The CED report incidentally recommended that in the accounting for colleges and universities depreciation on capital assets should be included in the costs. The net of their proposal, then, is that tuitions might rise to perhaps 55 per cent of instructional costs as conventionally defined.

The National Commission did not make specific recommendations for change in the financing of higher education, but rather analyzed various alternative proposals from the standpoint of their costs and social effects. The commission report, nevertheless, agrees with the CED and Carnegie views that student aid based on a means test is a more effective way of increasing access than the same expenditures

used to lower tuitions. The task force report of the National Council of *Independent Colleges and Universities also analyzes alternatives. The* favored one would involve a moderate rise in public tuitions. The Newman report is not specific about financial details, but does emphasize that students rather than governments should be the vehicle for transporting funds to institutions. The implication is clear that tuitions should be raised. The Newman report may be the most radical of all in its financial implications.

Collectively, these reports offer abundant testimony from able and public-spirited groups that tuitions should be raised in the public sector of higher education. And all of the reports state or imply that a collateral benefit would be to narrow the tuition gap between the public and private sectors.

The tuition proposals of the Carnegie Commission contained one notable feature: namely, that tuitions should be graduated by level of education—lowest for freshmen and sophomores, next highest for juniors and seniors, and highest for graduate and professional students. The ratio for the three groups would be about 1 to 1.5 to 3. They proposed this kind of graduation for both public and private institutions. The purpose, of course, would be to keep opportunity open at the beginning of college careers, and to impose high tuitions and heavy borrowing after students had become well established. It is a way of increasing tuitions without raising the barriers at entry to college. This proposal raises some philosophical questions about the allocations of expenditures among the various levels of instruction and about the unity of the university. And it raises practical questions about potential effects on attrition with stepped-up tuition after two years or four years, and about competitive relationships between the private and public sector. If the plan applied to both private and public institutions as proposed, it could greatly widen the dollar gap between private and public tuitions for advanced students.

If there is one thing on which all elements of higher education are agreed, it is that opportunity should be opened and encouragement given to low-income students. All of the reports agree specifically or by implication that grants to low-income students should be expanded. For example, the Carnegie Commission recommended full funding of the Basic Opportunity Grants. The National Board on Graduate Education recommended three types of graduate fellowships to be granted in modest numbers: those based on merit, those designed to meet specific manpower requirements of national importance, and those designed for minority groups and women.

The CED and Carnegie reports were also explicit in recommending extension of the student loan system. They would emphasize long-term loans of large amount with income contingent features. The reports recognized, however, that the nation is a long way from overcoming the problems of technique and of capital supply needed for the massive loan system they envision. The report of the National Board on Graduate Education was especially articulate on the danger of cutting out fellowships for graduate students on the basis of a proposed loan system which simply does not yet exist.

The reports suggest that student aid, including both grants and loans, should be portable in the sense that students would receive their allotments independently of the institutions they chose to attend. This portability would presumably widen student choice of institutions and would motivate colleges and universities to cater to the needs and wishes of students. Portable student aid would be especially potent if accompanied by cost-of-education allowances as is frequently suggested. The Newman report especially emphasizes portability of student aid. In my judgment, the subject of portability raises some serious questions about institutional automony and has not yet received the attention it deserves. While student influence over institutions can be recommended within reason, there is something also to be said for the integrity, inner-direction and academic freedom of institutions. In the current debate these considerations tend to be ignored. The Newman report was eloquent on academic freedom and institutional autonomy but saw the state as the chief threat and students with portable funds as the liberators. I am not so sure the matter is that simple.

C. *Private Institutions.* Let me now consider the special problems of private institutions. All of the groups were concerned about the future strength and health of the private sector. All expressed appreciation of the contributions made by private institutions to the nation, and indeed to public higher education as well. However, most of the reports dealt with the private sector in a rather incidental fashion. Both the CED and Carnegie groups recommended state aid to private institutions. The CED report was quite explicit in recommending general institutional grants to both public and private institutions based on enrolment, the amount per student to be adjusted by types of institution according to instructional costs and amount of income from private sources. The Carnegie group recommended state aid in the form of tuition offsets—capitation grants to institutions or grants to students attending private institutions. The Carnegie group noted favorably the experimentation with programs of this type now going on in

many states, and implied that such programs should multiply and expand. The Newman report, with its emphasis on student aid, suggested that needy students attending private institutions should receive extra grants to help defray high tuitions. The underlying idea in all these reports was to find a way to narrow the dollar tuition gap.

The CED report strongly emphasized the importance of charitable giving to higher education and urged (p. 75) that "existing tax incentives for voluntary support of higher education be maintained and. . . expanded. . . ." In my judgment, this is a recommendation of great importance and should not be passed over lightly.

As one would expect, the report of the National Council of Independent Colleges and Universities was devoted primarily to the private sector. It recounted the importance of private institutions to American society, explained the mounting financial problems, pointed to the importance of strengthening tax incentives for charitable giving, and then presented several financial options involving varying amounts of aid to needy students. One of these options was to raise public tuitions. Another was to establish a "tuition-offset plan" under which "the state or federal government would pay for each student enrolled in a private institution an amount equal to part or all of the difference between tuitions and average educational cost in public institutions." The payment could be made directly to the student or to the institutions. Another proposal was a compromise similar to the CED/Carnegie plans, in which public tuitions would be raised moderately and partial tuition-offsets would be paid to the private sector. In addition, the report suggested direct institutional grants from the state or federal government for capital purposes.

The NCICU report alluded to, but did not develop, an issue that was overlooked in the other reports: namely, that adequate aid to private education may require federal as well as state support. Both the CED and Carnegie reports had indicated that support of private institutions should be a responsibility of the states. The problem with this solution is that many private institutions are national or regional in outreach and draw only a fraction of their students from the home state. But programs of state aid are usually confined to in-state institutions and in-state students. It would be possible, of course, for states to make grants with respect to state residents wherever they attend college, and a few states have done this. However, a truly national system of aid to private higher education probably needs the intervention of the federal government either by directly sponsoring the program or by providing matching grants to the states.

D. *Graduate Education and Research.* Many discussions of higher educational finance are confined to undergraduate instruction. The important functions of graduate and professional education, research and public service are virtually ignored. Of the reports under consideration, only three dealt with this subject—National Board on Graduate Education, Carnegie and Newman.

The report of the National Board noted the rapid disappearance of federal fellowship and training programs, the leveling-off of federal funds for research (especially for basic research), the unpredictable fluctuations of federal support, federal preoccupation with transient categorical programs, and federal irresponsibility for the welfare and continuity of institutions. The board called for restoration of some fellowships and traineeships and the development of practicable and adequate student loan programs. They raised many issues regarding the future of basic research and its role in the advancement of our culture and our economy. They recommended institutional aid for graduate study by funding relevant sections of the Higher Education Amendments of 1972, and they cautioned against excessive reliance on manpower forecasts as a basis for educational planning.

The Carnegie Commission, as part of its step-tuition program, advocated tuitions three times as high for post-baccalaureate students as for freshmen and sophomores. The commission was, however, somewhat ambiguous about this proposal as it might affect students seeking the Ph.D. They also recommended that the federal government assume responsibility for graduate and professional education and research and significantly increase its support "if the nation is to remain in the vanguard of scientific and technological developments."[13] In a previous report, the commission had recommended a massive program of federal fellowships for doctoral candidates, together with cost-of-education supplements of $5,000 each.[14] These fellowships would be awarded to students already in course and would not be portable. And in another previous publication, the Carnegie Commission had recommended that federal grants for university-based research be increased annually in proportion to the growth of GNP.[15] The Newman group, on the other hand, recommended a massive program of portable graduate fellowships with companion grants over and above tuition of $2,000 to the institutions selected by the students.

E. *Recurring and Lifelong Education.* The Newman and Carnegie reports pointed to a current blind-spot in the financing of higher education: namely, that no adequate provision is being made to finance

recurring or lifelong education or the students (mostly adults) involved in such education. No solutions were offered; the problem was merely identified.

F. *Summary of the Reports.* Let me now recapitulate. Waiving many variations, details and nuances, the six reports are saying:

1. The efficiency of higher education should be improved.
2. Tuitions of public institutions should be raised to perhaps a third or even half of instructional costs.
3. Access should be available to all qualified students. Student aid should be extended in the form of grants to low-income students and loans to low- and middle-income students.
4. Loans should become a more prominent part of the student aid program. Practical long-term loan programs should be invented and adequate capital to fund them should be raised.
5. Student aid should be portable.
6. Private institutions should be assisted by any of several types of tuition-offsets which would have the effect of narrowing the tuition gap, and possibly by institutional grants.
7. Tax incentives for charitable giving should be strengthened.
8. Federal fellowships and traineeships for graduate students should be restored at least in part, and basic research should be supported at rising levels.
9. Ways of financing lifelong and recurring education should be developed.

Of these recommendations, those pertaining to tuitions and student loans have, of course, attracted the most attention and objection. For example, in their 1973 annual meetings, both the American Association of State Colleges and Universities and the National Association of State Universities and Land-Grant Colleges strongly objected to the tuition proposals and reaffirmed the historic American policy of low tuitions and minimal use of student loans. The Carnegie and CED reports also evoked considerable adverse editorial reaction from newspapers across the country, including such leading papers as *The New York Times*, *The Washington Post*, *The Christian Science Monitor*, and *The Minneapolis Star*. Labor unions as well indicated opposition. In the remainder of my remarks, I shall try to share with you my own views on the recommendations contained in these reports.

VI

Concluding Comments

As I have indicated, the six reports are all moderate and gradual in spirit. If any one were adopted, higher education would not be instantly or radically transformed either for the better or for the worse. Indeed, tuitions in public institutions have been rising so rapidly in the last two years that the recommendations of the Carnegie Commission are already becoming a reality. But these reports do try to set a new course. That course is toward higher tuitions, large grants based on means tests for millions of persons, and possibly heavy indebtedness for many. What are the consequences of this line of development in the long run? I must confess to some uneasiness.

For more than a century in this country, efforts have been made to encourage young people of all classes to go to college. Higher education has been regarded both as a form of personal opportunity and as a source of major benefit to society. The accepted view—seldom challenged as late as three or four years ago—has been that higher education ought to be open to all on the most generous terms. This was the historic idea underlying the founding of hundreds of private colleges, the land-grant movement, the establishment of public urban institutions, the GI Bill and the community college movement. Why, at this stage in our history, when we still have the task of bringing millions of young people—many from ethnic minorities—into the main stream of American life, and when there is so much educational work to be done for all classes, including adults, why are we striking out in a new direction? Have we been misguided over the years and are we just now realizing our errors? Or are we about to commit a colossal blunder?

The financing of higher education is not merely a matter of technique to be decided by experts: it is a matter of educational and social values. My misgivings have to do with values.

A. *The Widening and Deepening of Learning.* First among my values is the widening of learning for persons of all ages, both sexes, and all ethnic and economic backgrounds, and at the same time the deepening of learning for everyone. By learning I mean humanistic, scientific and vocational education of many varieties. Such learning is a powerful means. It is the base of our culture, the foundation of our economy, a source of good citizenship and civic responsibility, a way toward the solution of social problems, and a major influence toward humanizing individuals. Learning is also an end in itself. It is fun to learn and good to know. The great spread of learning that has occurred in the past

century is far from complete. Our ignorance overwhelms our knowledge and our folly vastly exceeds our wisdom.

Learning occurs in many ways, by no means all of it through educational institutions. But institutions have an indispensable role in facilitating the process, not only for millions of persons of ages 18-22 but for persons of all ages. Formal education is destined to be a recurring lifelong experience. The traditionally sharp separation of life into three stages—education in youth, work in middle years, and retirement in old age—is likely to be radically altered.

Under these conditions who can say that the philosophy of the Morrill Act or of the community college movement is passé? Who can say that higher education should not continue to be available at low cost to ensure ready access and encouragement for persons of all ages and conditions? Who can argue that high tuitions, means tests, and long-term loans are really conducive to the widening and deepening of learning?[16]

B. *Academic Freedom.* Another cherished value, which is virtually unmentioned in the recent reports on finance, is academic freedom. It consists in part of the right and duty of individual professors to seek and speak the truth. More broadly, it includes significant inner direction for colleges and universities as institutions. It means that the academic community should have an influential voice—based on professional judgment—in deciding what to teach, how to teach, what academic standards to maintain, what lines of research and scholarship to pursue, what to publish, and whom to employ as professors. Academic freedom in this sense is always in jeopardy but in the past decade has been subject to unprecedented erosion from growing political influence and increasing reliance on funds earmarked for purposes prescribed from outside.

Academic freedom calls for a system of finance with diverse sources including substantial funds that are not earmarked and for which institutions are not too beholden. The proposal to raise tuitions might tend to diversify the sources of support in public institutions and enhance academic freedom. However, I find no evidence that while tuitions are being raised states are relaxing their grip on their colleges and universities. Quite the opposite. On the other hand, the proposal would move higher education along the path toward the market price or "jam factory" system of finance. If carried too far, it would impair the inner integrity of colleges and universities as institutions and convert them into enterprises responsive only to the market.

C. *Means Tests and Debt.* Another of my values, this time a negative one, is distaste for the means test and for loading heavy indebtedness upon young people. I recognize the importance of grants based on need, and loans, in a balanced system of student aid. It is when large amounts of money are involved that I become apprehensive. The means test is essentially undemocratic, bureaucratic, arbitrary and open to evasion. Moreover, it may be legally unworkable if young people, who attain their majority at age 18, become emancipated from their parents.

For our society to require its young people to go heavily into debt represents a less than generous attitude toward our youth. Even from the economic point of view, long-term loans make little sense. The social cost of providing and receiving an education must be borne at the time the education occurs. It cannot be transferred to the future. The repayment of debt is only a transfer payment, having little underlying economic significance except an unpredictable effect on the distribution of income. It would seem more businesslike to finance the costs when they are incurred rather than to go through the red tape of making and repaying loans. Still another difficulty with heavy loans is unfairness as between generations. Those of us of the present middle and older generations received our education without any heavy indebtedness. We are in effect saying to the next generation, "We got ours; now that your turn has come, you can get your education on the cuff."

What I am suggesting is not elimination of all grants based on a means test or of all student loans. I am counseling that we should go slowly in raising tuitions to a level that will demand heavy use of these devices. I think this will put an unbearable and unnecessary strain both on higher education and on our society.

D. *Equity.* Still another value is equity. The largest single cost of higher education is the time and forgone income of students. This, together with the incidental expenses of higher education (not counting board and room), place at least two-thirds of the total cost on the student and his family. Institutional costs are of the order of only one-third of the total. In view of the fact that education yields substantial social benefits as well as private benefits to students, it would seem that a major portion of the institutional costs might equitably be borne by society, that is, government and philanthropy. This was a conclusion of the Carnegie Commission and largely explains the moderation of their recommendations.[17] Incidentally, the Carnegie Commission is one of the few groups which have openly acknowledged the issues of forgone income and social benefits of higher education.

E. *Preserving the Private Sector.* Another of my values is preserving the dual private-public system of higher education. This, of course, requires strengthening of the private sector, which in my judgment is in great jeopardy. The private sector is important because it contributes diversity and leadership. Through the diversity it contributes, the higher educational system serves the needs of more people and offers more choices than could a purely public system. Through the leadership given by many private institutions, the nature of academic excellence is demonstrated, academic standards are set, the ideal of liberal learning is kept alive and flourishing, a living example of academic freedom is provided, and a fruitful source of innovation and experiment is maintained. The example, the mere presence of the private sector, is a factor in the freedom and advancement of the public sector and serves as a brake on onerous public control. I would vigorously deny that private institutions have a monopoly on diversity or leadership, but I would argue with equal vigor that the whole higher educational system is stronger for its duality.

There is no doubt that raising the tuitions of public institutions would help the private colleges and universities. But I do not believe that such tuition increases are the best way of helping them. For survival, the private institutions must first of all live up to the ideals of diversity and leadership. They must be useful to society in special and demonstrable ways. Second, they need a system of finance that will narrow the tuition gap and at the same time will preserve their privacy. This system of finance has already been invented and tried out. It now needs perfecting and developing. It consists of tuition-offsets from government. The tuition-offsets may take the form of grants to private institutions or they may take the form of grants to students attending private institutions. More than thirty states are experimenting with various forms of tuition offsets and more are considering them. These programs are quite varied. They include tuition scholarships with amounts adjusted to need, grants to disadvantaged students based on need, grants of fixed amount without a means test to students attending private colleges, grants of fixed amount to private institutions for each student enrolled, etc. There is urgent need for further development of these plans and more realistic funding. There is need also for federal intervention, partly to encourage the states to establish adequate plans and partly to bring about reciprocity among the states so that students may be covered who attend private (or public) colleges located outside their home states.

Another important part of the financial solution for the private sector is to strengthen the incentives for charitable giving to education.

This would include retaining present federal and state tax-incentives and adding something comparable to the plan, proposed by Alan Pifer,[18] which would increase both the effectiveness and the equity of income tax deductions for charitable giving. There is need also, for liberalizing property tax exemptions for private institutions. The present trend in many states is to narrow these exemptions.

With these options open, I see no reason why it should be thought essential to the private sector that public tuitions be raised or why acrimonious controversy between the public and private sectors should be allowed to fester. Such controversy can only be harmful to the cause of higher education as a whole. This solution does require a kind of compact between the public and private sectors. The private sector is called upon to support low public tuitions, and the public sector to support tuition offsets.

F. *Adequacy of Finance.* Another value is adequacy of finance. The several reports we have been discussing have rightly given this high priority. Some have taken as a basic assumption that society is not going to sustain higher education adequately under traditional methods of finance. They have asked how limited public and philanthropic funds could be "targeted" so that they could be stretched as far as possible. They have suggested that, by raising tuitions and providing long-term loans, the middle- and upper-income groups could be made to pay for more of their own education. And the funds thus acquired could be used for student aid to the poor and for institutional support. The plan is a not-too-subtle scheme to take from the middle class and give to the poor.

I would raise three questions. First, is the assumption valid that funds from conventional sources will fall short? I am not so sure it is valid, at least for the long run. More about that in a moment. Second, if tuitions are raised and loans expanded will government and donors correspondingly reduce their effort? I think this a distinct likelihood. Third, is there a risk that the recommended high tuition will *not* be accompanied by the adequate program of student aid which everyone says must be part of the package? I think the risk is high as indicated by the fact that aid is far from adequate even for present levels of tuition.

In short, I am a skeptic about high-tuition proposals from the point of view of adequacy. I think higher education might do better if the basic financial responsibility remained clearly with government and philanthropy. However, I cannot deny that to find adequate resources is a serious problem. The several reports have faced this problem can-

didly. I do not assert that they are dead wrong. I only express doubt.

G. *Conclusion.* I shall conclude on a note of optimism—not because every scenario should have a happy ending—but because I think there is a basis for a genuinely hopeful outlook for the long run.

I believe that higher education is not doomed to be a sick and depressed industry, lapsing into a position of ineffectual poverty. I believe it will, or can, be a buoyant growth industry. I have pointed out the vast amount of educational work to be done if we are to widen and deepen education as we should do. In my opinion, the time will soon come when we can get on with this task on an unprecedented scale. Our economy is clearly reaching the end of its insane preoccupation with producing physical things at the cost of plundering our national resources, fouling our environment and cluttering our lives. As consumers, we shall be shifting our emphasis more and more to human services that enrich our lives and do not pollute. As producers, we shall be changing our emphasis, in the development of productive powers, from physical capital to human abilities. Higher education will obviously have a critical role. It is a purveyor of human services that are highly valued in their own right, and it is a basic instrument for investment in human abilities.

With this outlook, we should not take for granted that the fate of higher education is retrenchment and impoverishment. The time is ripe for the planning of wholly new levels of achievement in higher education. The financial policy that fits this future is one that will activate the widening and deepening of higher education. It is a policy of moderation—moderate public tuitions, moderate use of grants based on means tests, moderate use of loans for student aid, partial tuition-offsets to keep private higher education competitive, and positive incentives for private philanthropy.

I suspect that current thinking about higher educational finance, as exemplified in the six reports, grows out of depression mentality and a short-range perspective. In my judgment, these reports have not taken account of the enormous opportunities that lie ahead as our society shifts from the production of things to the provision of services, and to the building of a great culture. Nor have they really faced a future in which education may be truly open to persons of all ages and conditions, in which education would be rationed on the basis of desire to learn and achievement in learning—not by tuitions, means tests and willingness to go into debt.

If we are concerned about the possibility that upper-income fami-

lies may receive subsidies, let us deal with that problem through the tax system, by requiring everyone to pay a fair share of the general tax burden, not by trying to convert the financing of higher education into a device for redistributing income.

What we now need is still another study group who will break away from depression mentality and short-term considerations, who will explore the vast educational horizons of the learning society, and who will produce a financial plan commensurate with the educational work to be done.

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[1]Carnegie Commission on Higher Education, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* (New York: McGraw-Hill Book Company, June 1973); Committee for Economic Development, *The Management and Financing of Colleges.* (New York: CED, October 1973); National Board on Graduate Education (sponsored by Conference Board of Associated Research Councils), *Policy Alternatives Toward Graduate Education.* Washington, 1974; National Commission on the Financing of Postsecondary Education, *Financing Postsecondary Education in the Last Quarter of the Twentieth Century.* (Washington: U.S. Government Printing Office, 1974); National Council of Independent Colleges and Universities, *Financing of Postsecondary Education with Special Reference to the Private Sector.* (Unpublished preliminary report.) Copies available on request from the Council, 1818 R St., NW, Washington, D.C. 20009; Special Task Force to the Secretary of HEW, *National Policy and Higher Education* (Newman Report), (Washington: Department of HEW, October 1963)

[2]*The Federal Investment in Higher Education,* American Council on Education, 1967; *Federal Programs for Higher Education,* American Council on Education, 1969

[3]*Federal Institutional Grants for Instructional Purposes,* Association of American Colleges, 1968

[4]*The Federal Financing of Higher Education,* The Association of American Universities, 1968.

[5]NASULGC strongly supported the Miller bill

[6]*The Finance of Higher Education,* Carnegie Commission on Higher Education, 1968

[7]Donald A. Wolk, *Alternative Methods of Federal Funding for Higher Education,* Carnegie Commission on Higher Education, 1968; *Institutional Aid: Federal Support to Colleges and Universities,* 1972; *Quality and Equality: New Levels of Federal Responsibility for Higher Education,* 1968

[8]*Toward a Long-range Plan for Federal Financial Support for Higher Education: A Report to the President,* (Washington: Department of HEW, January 1969)

[9]Milton Friedman, "The Higher Schooling in America," *The Public Interest,* Spring 1968, pp. 108-112

[10]W. Lee Hansen and Burton A. Weisbrod, "A New Approach to Higher Education Finance," in M.D. Orwig (editor), *Financing Higher Education: Alternative for the Federal Government,* (Iowa City: American College Testing Program, 1971), pp. 117-142

[11]*The More Effective Use of Resources: An Imperative for Higher Education.* (New York: McGraw-Hill Book Company, 1972)

[12]See also Howard R. Bowen, "Can Higher Education Become More Efficient?" *Educational Record,* Summer 1972, pp. 199-200.

[13]*Higher Education, Who Pays? Who Benefits? Who Should Pay?*, op. cit., p. 107

[14]*Institutional Aid.* (New York: McGraw-Hill Book Company, 1972), p. 83.

[15]*Quality and Equality.* (New York: McGraw-Hill Book Company)

[16]It is sometimes said that if higher education is made too freely available, too many people will attend or people will stay too long. In the interests of learning, I am willing to risk this result, especially because there are effective brakes on overutilization. These are the hard work involved in formal learning, the forgone income and the sacrifice of time for recreation and other pursuits.

[17]*Higher Education: Who Pays? Who Benefits? Who Should Pay?* op. cit., pp. 49-53, 71-87

[18]"Revitalizing the Charitable Deduction," in *Annual Report,* Carnegie Corporation of New York, 1972, 3-12. Under this proposal, every taxpayer, whether or not he itemizes his deductions, would either be given a 50 per cent tax credit for his charitable gifts or allowed to file under the present system, whichever would benefit him more. The Piter plan would have the effect of expanding philanthropic giving by increasing incentives in the middle- and lower-income brackets and at the same time of improving the equity of the tax system.

Comments

I

EARL CHEIT

Shortly after World War II, policy analysis caught up with the economics of labor. Analysts made a sobering discovery: the political process had produced labor policy objectives which, though individually desirable, were partly conflicting. The policy objectives themselves seemed clear enough, and clearly desirable. They sought: (1) collective bargaining; (2) full employment; (3) price stability. There were definitional quibbles about their precise meaning under various circumstances, but there was no question about their general support. By legislation, judicial decision, executive action and exhortation, these were the major policy objectives. There was no technical problem in pursuing any one of them. The problem was that we wanted all three at the same time.

It was Professor Walter Morton of the University of Wisconsin who first revealed the conflict. We have been struggling ever since with what examination questions often call the "two out of three" problem. It appears that we can have any two of the three policy objectives, but not all three at the same time.

Today, a generation later, we realize that like the examination questions in the apocryphal story, the question remains the same—but the answers have changed. Those answers comprise the list of tools and hopes used to harmonize the three policy objectives. The list is longer than I can enumerate here, but you know many of its important entries —jaw-boning, devaluation, cost of living council, wage guidelines, phases I, II, III, IV, productivity councils and income policies.

Today's price level, and the level of unemployment, suggest that those answers have not forged an unbroken chain of successes. There must be a better answer than "but look at how bad the situation is in Britain."

In his splendid paper, Howard Bowen is trying to do for the eco-

nomics of education what Walter Morton did thirty years earlier for the economics of labor. Bowen shows us that policy analysis is now catching up with the economics of education, that there are choices to be made from partially conflicting objectives and that, unless we are willing to find answers that represent the long view, we may one day have to settle for "but look at how terrible the situation is in Tokyo."

Bowen shows that it all happened rather quickly. Before World War II, public policy had not defined policy objectives for higher education. There were simply certain "settled" propositions. These were: (1) financing access was primarily the responsibility of parents and students; (2) financing institutions was the responsibility of "society," both its public and private sectors; (3) over-all cost to the public was not a matter of concern, and the policy of low public tuition, which encouraged access, was accepted.

There was a surge of new money in the 1950s. But it changed neither the relative shares of support for higher education nor those "settled" policies. These came under scrutiny in the 1960s, with the growing concern about access, institutional finance and over-all cost. The goals of higher education thus became the subject of formal attention.

The "settled" proposition about access was enlarged and became a goal that required new policies, for it could not be met by the old assumptions. Institutional stability also required more than the old methods of finance. New policies for new monies were needed. A new financial goal began to evolve.

Now, almost a decade later, we seem to be developing our own education policy threesome. Look at the six reports at hand. For students, they seek access, choice and opportunity; for institutions, diversity, excellence and independence; and for "society" that the total real costs of institutions rise very slowly. We even seem to have our own "two out of three" problem. It appears that we can extend access, provide greater choice and opportunity in diverse, excellent and independent institutions, but not without substantial increases in cost. Or, student and cost goals can be achieved, but partly at the expense of institutional goals.

Bowen's paper shows that the six new reports produce a list of moderate measures designed to harmonize partly conflicting values. The list is longer than I can review here. When Bowen judges how well the reports meet that standard he finds all six wanting in some degree. Bowen accepts the main goals, but he is most critical of those reports which: (1) exhort about efficiency as a means of holding down costs

(the new version of "jaw-boning") but show no corresponding concern for academic considerations; (2) advocate portable student aid funds as a means of gaining institutional independence; and (3) recommend increasing tuition in public institutions as part of a plan to increase access and promote institutional diversity. Bowen contends that the first has limited potential, the second might threaten academic freedom, and the third runs the risk of being self-defeating.

Bowen is least critical of the Carnegie Commission's work because he finds its earlier recommendations on cost realistic, because it does not threaten the inner-directedness of institutions, and because its tuition recommendations are, in his words, "already becoming a reality."

Because these tuition recommendations have become the subject of public interest and controversy, I would like to conclude with a few words about them.

The Carnegie Commission, first, opposed "any increase in tuition at public institutions except as such increases are offset by the availability of adequate student aid for lower-income students." Second, it recommended that tuition in public four-year institutions rise gradually so that in ten years (by 1983) it would equal one-third of institutional educational costs.

The first part of that recommendation is generally overlooked on grounds that it is not likely to be adopted. The second part has caused apprehension that it would require a doubling of tuition in the public sector. That estimate of doubling tuition came from the way the data were calculated in the Carnegie Commission report, *Higher Education: Who Pays? Who Benefits? Who Should Pay?* The report said tuition in the public sector represented 17 per cent of institutional education costs. However, the calculations relied on estimates in areas for which more accurate data are now being analyzed. Using new data, the commission staff is now recalculating the ratios.

Preliminary figures reveal that the actual 1971-72 data for universities, state and comprehensive colleges, and public liberal arts colleges was not 17 per cent but 22.2 per cent. It is higher today. This means that the gradual increase to 33 per cent recommended by the Carnegie Commission is not a doubling. It is probably less than a 50 per cent increase. From preliminary data analyzed by the Carnegie Commission staff, it appears that as of 1971-72, for those public universities which supplied data to HEGIS, about 15 per cent were already at or above the Carnegie Commission standard; for comprehensive colleges and

public liberal arts colleges, about 20 per cent were close to or above the standard. As Howard Bowen's paper points out, the recent rate of increase is such that within the decade, if no tuition policy changes are made, tuition in the public sector will be at the level of the Carnegie Commission recommendation. It appears that the Carnegie Commission was *not* recommending a sharp departure from the tuition trends of the past few years, but in effect was urging that these trends be accompanied by offsetting student aid. Within ten years the Carnegie Commission recommendations could well become an argument for holding tuition down, not for raising it.

Bowen argues that the major goals for higher education can best be achieved by growth—growth that will occur if policy makers avoid a depression mentality that fosters proposals to redistribute the cost burden. A larger pie is better than a smaller one resliced. His optimism about the learning society may be warranted in the long run. In the short run, however, I believe that the first step is to work for a sensible accommodation among the three goals.

For that reason I want enthusiastically to endorse the proposal at the conclusion of the Bowen paper. A fair reading of the Carnegie Commission report shows it advocates a similar position. I believe it is sound public policy for private institutions to support relatively low tuition in the public sector, and for public institutions to support public funds for private institutions as Bowen outlines. If his compromise is successful, he may become known as the Henry Kissinger of higher education.

II

PEGGY HEIM

Dr Bowen has done the nearly impossible, and he has done it magnificently. In a twenty-page paper he has summarized and commented upon six financing reports having together more than a thousand pages of text. For good measure he has added an insightful history on financing policy and his own recommendations. It is towards the latter that I direct my comments.

Dr Bowen is an idealist. It is good that the country has a few idealists left. His financing prescription is both logical and reasonable. He sees no reason it should be thought essential to the private sector that public tuitions be raised. Raising public tuitions is only one way of closing the

tuition gap. The other is to provide financial assistance that helps the private sector reduce the net tuition charge. His recommended route involves tuition offset payments to the private sector. Other routes could also be used.

Dr Bowen states that his solution requires a sort of compact between the public and private sectors. The private sector is called upon to support low public tuitions; the public sector to support tuition offsets. I, as a hard-bitten realist, am not at all certain we can get that type of co-operation from large blocks—or at least highly vocal blocks—of the public sector. I am impressed by the strength of their emotion. Any funds that flow to the private sector take away, so they think, from the public college. They are not about to let anyone else draw revenue from their own source of supply. Anyone who could bring about a compact in that setting should be our next nominee to succeed Dr Kissinger as Secretary of State.

Dr Bowen makes the point that we—both public and private higher education together—must plan for wholly new levels of achievement. In the absence of a positive and buoyant approach, all of higher education will look ahead to stunted financial prospects. There is no need for this, Dr Bowen says. We have been affected by depression mentality.

I quite agree with Dr Bowen on one point. We are not likely to convince others of the great value of education and the desirability of funding it adequately if some of us act like ill-mannered children. What is needed is a joint effort for the public good.

But there is a real question whether the public is willing to continue financing higher education for rising proportions of the population under previous financing principles. It is one thing when the proportion using the service is relatively small; another thing when the proportion is large. A principle which was appropriate in one set of circumstances may no longer be appropriate in another. Thus, in view of competing public demands for services, there may be a good case for somewhat higher user fees in the public sector of higher education for those who are able to pay. But I too would urge moderation in their increase.

Now let me turn to the new environment in which we may find ourselves. The big problem that higher education is likely to face is on down the road. It may not be far down the road—just over the next hill. The road is called Energy Crisis Ramifications. These ramifications may have an important bearing on the financing of higher education.

Let us turn now to the oil crisis. We must keep in mind that it is superimposed on what was already a highly inflationary situation.

In brief the oil crisis has two facets. There is the longer-run supply-demand problem which under optimum prospects would have caused a significant increase in oil prices later in the decade. That problem is magnified by the pricing decisions of the Middle East crude oil cartel. We are already dependent on overseas oil for about one-third of our petroleum consumption. If the Middle East cartel holds together, the average price of foreign crude oil for the United States in 1974 may be more than three times as high as in 1973.

Ours is an oil-based economy. The higher price for crude oil will, of course, affect the prices of transportation, of electric power, of domestic, commercial and industrial heat, and of the petrochemical industry, including all of the products and services in which they are used. Under standard markup pricing procedures prices will rise not just by the dollar increase in the cost of materials but by a factor more than that. At each stage of production the price increase will be pyramided higher. If the Middle East cartel holds together, the price effect throughout the economy is likely to be very significant indeed. The oil-price effect, piled on top of other inflationary pressures, will provide both the real and nominal justification for raising prices higher.

We are likely to be confronted by at least six pricing ramifications which will affect the financing of higher education. First, the higher price of oil and oil products, combined with relatively inelastic demand for many items on the consumer level, will absorb relatively larger amounts of people's income. So will general inflation. Although incomes will rise, the incomes of many will not rise nearly as rapidly as prices. The absorption of relatively larger amounts of income will affect the prices people are willing to pay for other things. Attending college is one of those other things.

Second, the absorption of relatively larger amounts of consumer income by the price increases will also affect the attitude of the citizenry towards the tax bill. Their attitude towards their tax bill will have its repercussions on how much the government will decide to spend and on what. Higher education is one of those "whats."

A third oil-pricing ramification that is likely to affect the financing of higher education relates to national real income—income stated in terms of goods and services—in contrast to money incomes. It is real income, not money income, which determines the level of living. One factor that is likely to have a negative effect upon the Nation's real in-

come is unemployment caused by oil crisis dislocations. This may become rather severe, for it is not just the primary unemployment that reduces the national income—as for example, the unemployment of auto workers and airline employees—but the secondary unemployment which derives from the oil crisis itself and the inflation. How much additional change will occur in our level of living, either relative to what it is or what it would have been in the absence of the oil crisis, depends upon the real income of the Nation after providing for oil purchases. Since about one-third of our oil comes from overseas (not all of it in the form of crude oil), we may have to give up considerably more goods and services than in the past to obtain our oil supply if the Middle East holds to its pricing compact. How much we are willing to spend on higher education as a society will be influenced by what happens to real income.

Fourth, in addition to the basic pricing effect—giving up more goods and services for a given quantity of oil—the country may encounter balance of payment difficulties. The crude oil supplying nations will be amassing large dollar balances. Those getting the most will be the Middle Eastern countries. What the Arab countries do with their dollar balances may lead to devaluation of the dollar and domestic belt-tightening. The experiences of Britain may become the experiences of the United States. If severe, domestic belt-tightening cannot fail to affect domestic consumption patterns and government priorities.

Fifth, the high price of oil and oil products will create pressure on the government to undertake new expenditures or to step up others. Oil products and services are deeply ingrained in our culture. While we shall undoubtedly change our consumption patterns, it is unrealistic to think that we, as citizens, shall not make considerable sacrifice to maintain certain cherished characteristics of our economy. Our individualistic modes of transportation, a highly mobile society, and suburbia are some of these characteristics. Granted, we shall be forced to make concessions, but I think we shall demand a shift in governmental priorities to maintain some of the ingrained elements of life style. This brings us to the question, what changes are likely to occur in governmental priorities and expenditure patterns. The budgetary impact of oil-related research and development should not be severe. One can buy much research for one or two billion a year. More significant may be capital requirements, such as that needed to produce synthetic oil from coal or shale or to develop alternative transportation modes, especially various types of mass transit. The Federal Government may have to provide some of this capital. The amounts may be large. In brief, public priorities may undergo significant change.

The sixth ramification relates to the effect of inflation upon the cost to the institution of producing the services and the types of services produced. There is a difference between how much prices rise and how much more the institution spends. The latter is limited by how much the institution has to spend—or how much it feels it can spend. Thus, how much expenditures rise is no measure of the degree of inflation. But this much is certain. The increase in some prices will be very great indeed. The inflation of prices will have at least two effects. It will cause costs to rise and therefore intensify the financing problem. It will also affect the quantity purchased by the institution of each service and commodity. As a former president of Williams College, James Phinney Baxter, is supposed to have said in the days of a relatively impecunious academic profession, a dollar increase in the price of coal means one less assistant professor. It will not be surprising to see changes in the services and products provided.

In conclusion, we are beginning to play a new game. Not only do we not know the rules of the game, we are not even certain what game we are playing. In such a situation it becomes extremely difficult to develop a politically and economically feasible program for financing public and private higher education. It becomes equally difficult to chart the course of an institution. In the absence of better information, perhaps the best we can do, for the present, is assume that the problem will not be severe.

III

DAN MARTIN

Let me respond to Howard Bowen's excellent paper first with some observations about the National Commission on the Financing of Post-secondary Education and second with some personal comments on the higher education policy debate—comments which flow largely from my experience as a member of the commission during the past year.

As I view it, the National Commission did not operate with the depression mentality Dr Bowen suggests. The commission was created by the Education Amendments of 1972 largely as a result of the impasse between the institutional aid and student aid approaches to federal support of our industry. This impasse followed partly from the low credibility rating higher education receives on the Hill. The drive for

institutional aid was interpreted by some policy makers as a request for more money without regard for the public value received. The commission was charged to help public policy makers at all levels make choices—because not everything we want is possible—and to suggest some ways those choices could be based on facts.

That credibility question (rather than a depression mentality) underlay the legislation which created the commission and directed our work. Improving credibility rather than increasing efficiency is the chief purpose of our recommendations on uniform cost-reporting standards. The congressional members of the commission held our feet to the fire on this subject. Our goal was to move in the direction of a common language for discussing costs, not to promulgate standards of what institutional costs ought to be. The inability of higher education to present comparable data undermined our requests for institutional aid and evoked disbelief in our claims of financial distress.

Congress was concerned about the pleas they heard, but they wanted to know how to evaluate them. The commission was required to report on financial distress, and we provided some guidelines for measuring its severity.

Our other central task was to construct a format for analyzing financing policy proposals, and this format is our most important recommendation. If used, this tool should help reduce special pleading and the irresponsibility of some of the voices in the current debate. Regardless of the merits or demerits of the specific coefficients used in our test runs, a systematic approach to postsecondary education policy is essential, and our format offers a way to obtain an industry-wide view of the effects of given policies.

Finally, we reached two important conclusions: (1) that increasing student aid funds is more effective for broadening student access than increasing direct institutional appropriations and reducing tuition levels for all students; (2) that sharp increases in state college and university tuition charges without concomitant student aid increases will reduce the aggregate enrolment of students. These findings might seem trivial to many readers, but the fact is that many financial proposals placed before the public are built on contrary assumptions.

We did not study the effects of loan programs, and that omission is a shortcoming of the report. I share Dr Bowen's distaste for heavy student indebtedness, but I submit that loans are not as novel as he suggests and that modest loans are useful and appropriate components of many student financial aid packages.

Now I ask you to indulge my making a few personal observations. I do not share Howard's view that the means test is a method of rationing opportunity. It is, rather, a method of rationing tax dollars to obtain the maximum benefit. Surely we all are troubled by the lack of equal opportunity still present in American postsecondary education. Despite impressive gains in recent years, equal opportunity remains an enormous challenge. The correlation between economic status and postsecondary enrolment is high. This gap between promise and real opportunity is a compelling problem—which the policy of low or even zero tuition simply has not solved.

Then, if we add the challenge of life-long learning—serving adults past the traditional college-going age—a funding pattern sensitive to economic equity is all the more essential. The means test is imperfect, but it is the most reasonable arrangement to us for expanding educational access and opportunity.

I do share Howard's concern about preserving private colleges and universities, and I agree altogether that their preservation should not be a rationale for increasing gross tuition charges in state colleges and universities. Yet current public policy is hastening the evaporation of the private sector. Unhappily, the trend of tax reform proposals is to reduce, not encourage, private philanthropy, and the leaders of some state universities have vigorously opposed tax support for students attending private colleges.

The common front Howard proposes is essential, but before it can be effective, more state university spokesmen must advocate public measures that will assist private institutions, and the private sector must build its political capacity to defend moderate tuition charges in state institutions.

As I read our report, it indicates (without directly saying so) that the widening and deepening of postsecondary education called for here today can best be enhanced by financing educational opportunities through student support. We are all concerned about the unknown effects of introducing more of a market test for our products and relying more heavily on our customers' decisions to allocate our revenues, but the only alternative to moving in that direction is an increase in the role of institutional political muscle in shaping our system of higher education. That is an outcome which will undermine academic freedom, reduce educational diversity and institutional integrity, and impoverish the educational opportunities we all strive to offer the American public.

I am pleased with the commission report because I believe it can help rationalize the debate about how we should finance the education of adults in this country and, consequently, extend the elevated discourse Howard Bowen has given us today.

IV

DAVID MUNDEL

Howard Bowen's analysis of the current debate over higher education finance policy and the roles played by the multitude of recent reports by public and private groups within this debate is a model of moderation. He notes that "all (of the reports) are remarkably restrained and moderate in their recommendations." Rather than representing dramatic shifts in policy, the reviewed reports "are incremental," but Bowen correctly finds that the reports point policy "in a certain direction" which he finds disturbing.

In a less than moderate conclusion, he recommends "still another study group who will break away from depression mentality and short-term considerations. . . ." Bowen's recommendation is based on his view that targeted student aid funds, increases in public institution prices, increased reliance on student loans, and a general conversion of the higher education finance system toward a market format are improper directions for policy change and would not be recommended by an unfettered commission who would "explore the vast educational horizons of the learning society." Bowen is restrained and moderate, but nevertheless wrong. His error results from inaccurate assessments of history and a failure to consider the policy problem as one of choice and moderation, rather than as simply one of moderation.

Bowen's inaccurate assessments of history relate largely to the financial crises beginning the late 1960s and the changing direction of public goals or purposes being sought by higher education support. Bowen describes the financial crises as beginning after a period of enrolment expansion had caused institutions to push "existing sources of revenue as hard as they could." In fact, throughout the 1960s major sources of revenue—especially parents and students—remained relatively untapped. In 1969-70, the average net contribution by parents and students to the cost of higher education (including non-instructional costs)

was only $1860.[1] Of this total, less than $200 was accounted for by borrowing. Furthermore, average parental payments by middle- and upper-income families were far below the expected contributions of the College Scholarship Service and the American College Testing Program.[2] Clearly, a potential source of revenue remained relatively underutilized.

Bowen's second historical error is to mistake the changes recommended in the various reports as resulting from changes in public purpose. He is accurate in his assessment that a major purpose of public support continues to be equality of opportunity—"for more than a century in this country, efforts have been made to encourage young people of all classes to go to college." But he is wrong to think that a new direction of policy results from our being "misguided over the years," our realization of previous errors, or our imminent commitment of "a colossal blunder." The changes recommended in the CED and other reports result from a realization that, in the future, new policies are necessary to maximize the achievement of this continuing public purpose. This realization results in part from the fact that, in spite of dramatic expansions in the support of traditional government higher education policies, the enrolment rates of low- and moderate-income students continue to be significantly less than those of youth from middle- and upper-income families.

History is useful for illuminating public purposes and illustrating alternative public policies. It is also useful for developing insights about the effect of these policies on the achievement of these purposes. Bowen asks: "Who can argue that high tuitions, means tests, and long-term loans are really conducive to the widening and deepening of learning?" In response, we must question the conduciveness of policies and finance systems within which major groups of our population have historically been unable to enrol in higher education.

Chancellor Bowen's failure to consider the policy problem as one of choice appears most dramatically in his concluding comments on values. Academic freedom is an important issue which was addressed in a majority of the national reports. Bowen is accurate in his assessment that "Academic freedom calls for a system of finance with diverse sources" of support. We should evaluate the desirability of alternative finance systems on the basis of both their diversity among sources (i.e., governments, benefactors, parents, students, etc.) and the diversity within sources of support. The current system of state support makes public institutions heavily dependent on the decisions of single legislative committees, single legislators and single administrative agencies.

Removing some of this concentration of control by placing some share of state resources in the hands of individual students would seem a desirable change in the pursuit of academic freedom. Peanut butter and jelly sandwich lovers, and those of us who enjoy "jam" on our English muffins, ought to think carefully about the performance of a system in which the "joint subcommittee on preserves" makes most decisions on the types of spreads to be offered.

Another of Bowen's values is a strong distaste for "means tests and debt." His distaste for means tests is based on a view that they are "undemocratic, bureaucratic, arbitrary and open to evasion." Again we must compare means-tested programs with others—e.g., existing policy—to make judgments of their relative performance along these dimensions. "Democratic" has three principle meanings: 1) of, characterized by, or advocating democracy; 2) pertaining to or promoting the interests of the people; 3) believing in social equality; not snobbish.[3] On each of these grounds, given the historical public search for equality of opportunity and their greater effectiveness in stimulating the achievement of this goal, means-tested programs seem more democratic than general, indiscriminate forms of support. Would a means-tested program in which a student's grant is based simply on his family's economic position be less or more bureaucratic than a program in which support is the result of a series of interdependent decisions by college administrators, legislators and executive officials? A means-tested program would probably be less bureaucratic. Similarly, a means-tested grant program would appear less able to be influenced by whim or caprice of individual decision-makers and consequently, it would appear less arbitrary than existing forms of support. What about its openness to evasion? Given the high reliability of the American income tax system, it would seem a relatively easy task to design a means-tested program which diminished the likelihood of evasion.

Thus, on the basis of Bowen's own taste attributes, a means-tested grant program may well be superior to current forms of higher education support. His final criterion for evaluation is whether or not a means test will be workable if young people become independent of their families at age eighteen. If such emancipation occurs, a means-tested program could still be used if it gave future grants or future access to grants to high school students before they were eighteen. This kind of program may actually be preferred to one which communicates with students after they have graduated from high school. An early grant program would communicate with students when they are making high school decisions which have major influences on college enrolment possibilities. Consequently, it might have even greater effect

of stimulating the achievement of equality of opportunity.

Bowen's distaste for student debt is based on his views that: the costs of education "must be borne at the time the education occurs"; "it would seem more businesslike to finance the costs when they are incurred rather than to go through the red tape of making and repaying loans"; and that, given the historical role of society in supporting higher education, it would now be unfair to diminish the support available for current and future generations of students.

The first two views are simply wrong and virtually unsupportable. Given the investment role of college, a totally or largely current system of finance seems totally undesirable. Would Bowen argue similarly against a system of loans to colleges for facilities? In terms of fairness, we must again compare the performance of the current system of finance with one in which greater student borrowing occurred. The current constraints on borrowing prevent many otherwise eligible students from enrolling! Is this fair? The current system of implicit grants (in the form of low tuitions) to everyone provides government support to upper-income students who, in the absence of these grants, would generally still enrol and who would either borrow or rely on their families to support this continued enrolment. Is it fair to ask taxpayers to support the enrolment of students who would enrol without that support? The question should be which financing system and set of government policies would be most just and equitable (i.e. fair). The judgment of the fairness of debt alone seems unlikely to provide much guidance for our search for directions of policy improvement.

Bowen argues that equity and the social benefits resulting from higher education justify social support. None of the reports argues otherwise. In fact, the major issue in several of the studies (e.g., those of CED and the National Commission on the Financing of Postsecondary Education) is the design of a financing system which equitably stimulates the production of more social benefits. The facts that social benefits result from higher education and that private parties pay most non-instructional costs (including forgone income) do not necessarily support the argument that instructional costs should be primarily borne by society. Instructional costs should be borne primarily by society if this particular sharing of the finance burden will result in the maximum achievement of public objectives. There is nothing in Bowen's analysis or the reports that he reviewed which supports this prediction. In fact, several of the reports have argued otherwise. Given the impact of the decisions of low- and moderate-income students on the achievement of social goals and the impact of public resources on these decisions, it seems more appropriate to target resources dispro-

portionately toward their education. Limiting support to instructional costs and distributing it essentially evenly among students seems neither just nor effective.

Another segment of Bowen's arguments relates to the impact of policy on the preservation of the private sector. Many proponents and opponents of increases in public tuitions have argued that the principal result of such a policy would be the preservation of private higher education. Bowen's analysis of the diversity and leadership resulting from private higher education is accurate, as is his assessment that public institutions also provide diversity and leadership. Clearly the boundary between institutions which contribute to diversity and leadership and those that do not does not coincide with the division between public and private institutions. Given this fact and the fact that both public and private institutions contribute extensively to the provision of publicly-sought outcomes, there seems little justification for any policy which disproportionately assures the future of institutions in either the public or private sector. Consequently, public assistance to only public institutions seems as inappropriate and undesirable as restricting public student assistance to students in private institutions. This argument and the desire to reallocate public subsidies toward low- and moderate-income students are the principal reasons for raising public tuitions. If the reason were to preserve the private sector, Bowen would be accurate in his assessment of the policy's low desirability.

Bowen's final arguments relate to the impact of policy on the adequacy of financial support—from all sources—for higher education. A major question facing designers of the higher education system is how to ensure an adequate flow of resources. An important mechanism for doing this is to target government resources on to students and into areas where they will influence behavior and remove public resources from areas within which private resources will rapidly and easily replace them. This allocation criterion is an important guideline for government policy whether the government budget is declining, remaining stable or expanding. Another mechanism for insuring an adequate flow of resources is a financing system which encourages, rather than discourages, attention to the efficient use of resources. A third impact of the financing system on the adequacy of resources arises from its effects on the well-being of the sector itself. A financing system which encourages the higher education sector to produce more and better outputs is likely to also be the system which calls forth the greatest quantities of public and private financial support. Consequently, the financing recommendations of the recent reports are not based on either depression mentalities or short-range perspectives.

Rather, they are based on a search for a financing system which will create in higher education the buoyant growth industry which Howard Bowen and the reports' authors so strongly desire.

Higher education finance policy is at a point of change. Productive change comes at a time when realities are at odds with what is desired. The direction of change will result from the continuation of the debate which Howard Bowen has analyzed, but within which he is a somewhat reluctant and moderate participant. Unlike Bowen, I do not feel that the controversy over goals, mechanisms and finance systems "can only be harmful to the cause of higher education as a whole." What is needed is a wider and more informed debate, not a set of agreements which conceal, rather than illuminate, honest differences of opinion and belief.

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[1]David S. Mundel, "The Cost of Higher Education (1969-70 to 1979-80)—an estimate of expenditures and revenues," March 1971

[2]"Toward Equal Opportunity for Higher Education: Report of the Panel on Financing Low-Income and Minority Students in Higher Education," College Entrance Examination Board, New York, 1973

[3]American Heritage Dictionary of the English Language.

The Institutional Investor and Social Responsibility

W. CHRISTOPHER MAXWELL

January 1974 is an extremely interesting time to discuss corporate social responsibility and investment policies designed to cope with this growing and ever-changing issue. For the first time, the extremists are being challenged by real-world economics in the current conflict between energy availability and pollution. Today, people would rather see our utilities pollute a little than suffer the consequences of a major fuel shortage.

In most controversial situations moderation results. That same trend appears to be unfolding now. With a more tolerant understanding of what can be done, we believe that advances can be made in corporate responsibility which will satisfy the moderates and still be acceptable to the more active participants.

If corporate social responsibility is just an enunciation of current social problems, then the attention paid the subject is misdirected.

By their actions, certain groups have so distorted the meaning of corporate social responsibility that the casual observer now associates the term with:

(1) Investment in South Africa
(2) Munitions for Vietnam
(3) Hiring minorities
(4) Air and water pollution

and a myriad of other clichés.

Social responsibility is all of these and a lot more. The concept of corporate social responsibility is not new, but rather the term is a modern expansion of that old element of successful business enterprise, good management.

Certainly the advocates of today's issues have done much to foster greater corporate social responsibility. For the leading cor-

porations, the greater publicity is resulting in newer and more forceful initiatives; the middle companies now have a focal point around which good management decisions can be built, and the laggard companies now know they have a problem.

For the institutional investor, this concern is resulting in greater precision in analyzing one of the most elusive investment parameters—good management.

If the activists are guilty of mis-defining the issue of corporate social responsibility, they have at least been successful in calling attention to this most important aspect of management.

The move toward more discussion of corporate responsibility in today's society is the result of complex interaction between a better educated, more sophisticated, yet more skeptical population; business management which shares these popular mores; and a changing business leadership from founder-entrepreneur to the professional manager. Individual and corporate motivation tend to follow the same hierarchy of motivation: survival, growth and self-actualization.

In today's society, where basic economic needs are well assured for both the individual and the corporation, it should not surprise us that social responsibility is so readily embraced. After all, we do have the resources to be socially responsible.

All too often, exercise of social responsibility is viewed as an all-cost-no-profit action. But, if social responsibility is indeed one more sign of good management, then exercise of this responsibility must at best be a zero-cost operation in the long run, and more likely profitable. Demonstrating social responsibility may assist profits through greater productivity, a more effective work force or simply lower taxes.

Like most expenditures which require several years for payback, the funds committed to social responsibility must demonstrate their priority in the corporate budget. In conflict situations, then, it is not surprising to see expenditures of a more immediate nature take precedence over those more long-term oriented.

Accepting that social responsibility issues will be more carefully and fully analyzed in the future, the institutional investor is faced with an array of problems beginning with the definition of "What is a socially responsible action?," then a specification of analytical techniques, and finally an evaluation model capable of ranking organizations by their social responsibility.

Most commentators with whom I have met agree that a corporation should be socially responsible. But this unanimity of opinion is of little use when the extremes are examined.

One extreme, dominated by economists, professes that the most responsible corporation is one that most efficiently converts land, labor and capital into finished goods and services, and that the most accurate indicator of such efficiency is the profitability of the organization. Those who maintain this position argue that all organizations must operate under the same restrictions and therefore if social actions are required they must be confirmed by society through the legislative process.

A counter, but equally extreme, view is that corporations must seek social betterment whenever the opportunity is available to them. Its advocates maintain that this goal should be accomplished irrespective of economic consequences—even if the expenditure severely penalizes the organization's ability to prosper.

What both of these extremes fail to consider is that our complex society is neither totally economic nor totally socially oriented and that decisions must reflect a combination of both economic and social needs.

Change is most often evolutionary, and particularly so in the area of corporate responsibility. Today's social concerns may become tomorrow's legislative mandates, and those companies which have experimented voluntarily in social betterment may in fact be making the appropriate economic decision as their managements correctly estimate the changing legal environment in which they are forced to operate. Because of this foresight, the responsible corporation then has the ability to capitalize upon its social responsibility by being more able to cope with new regulation.

The problem in evaluating social responsibility becomes increasingly complex when the international corporation is the subject of our investigation. What standards should apply—those of the country of incorporation or those of the host country? The complexity of deciding evaluation standards was well summed up several years ago when Roy Wilkins, executive director of NAACP visited South Africa. Rather than deploring American investments in South Africa, as various activist groups in the U.S.A. have done, Wilkins raised the pregnant question whether black Africans would not be worse off if the American corporation in South Africa were to withdraw.

Given that we as institutional investors establish a ranking of companies in the area of social responsibility, it is now necessary to examine the options available if we intend to influence corporations to act in a more socially responsible manner.

Available options open to institutional investors are guided to a large extent by the nature of the institutional investor. Individual investors, church groups, eleemosynary organizations and to a lesser extent foundations and universities, all of which share a reasonably uniform constituency, are able to develop action programs to initiate social change through stock holdings if they so desire.

Organizations which have fiduciary responsibility are much less free to act. Because pension funds and other trustee organizations have a multiplicity of constituents with sometimes quite diverse requirements, it is more difficult for the managing agent to establish guidelines which are reflective of all the constituencies. In default of being able to establish guidelines, the basic responsibility of long-term wealth maximization remains the overriding investment decision.

For both limited-constituency institutional investors and those with a more diverse constituency, the options available for seeking social change are limited and essentially threefold.

The first and perhaps most widely used option is that of buying or selling securities of companies with whose management style the investor agrees. In the initial investment selection, the institutional investor is free to establish any number of qualifications and then systematically exclude companies that do not satisfy these requirements. This is a low-visibility tactic and is often challenged by the public advocates as being unresponsive and inadequate. Those that seek social change through ownership of equities complain that elimination or avoidance of certain securities only perpetuates the social injustices as seen by the advocates and does not even indirectly cause change. The supporters of this strategy argue equally forcefully that avoidance or elimination of securities results in lower prices and eventual dismissal of management (or at least a change in management style), after which more responsive management is installed.

The second most popular strategy is that of voting proxies. Advocates of social change suggest that corporate democracy should allow these changes to occur. Historically, however, proposals initiated by stockholder action groups have often fallen far short of

practicality, because of poor wording, which makes implementation unreasonable if not impossible, or other legalistic shortcomings. Often the concept is valid but the execution is poor. For this reason the use of proxies to effect social change has been notably unsuccessful in a direct way. Nonetheless, stockholder voting groups have been responsible for sensitizing management to the issues.

The third strategy, followed by only a few organizations, is that of written or personal discussions with managements of companies in which the institutional investor's position can be articulated and explained. The advantage of this particular method is that it allows a working relationship to develop between the institutional investor and the corporation, because all participants recognize that social responsibility is in an evolutionary stage and guidelines are just being established. This last tactic has the added advantage of being constructive in its nature and readily accepted by managements.

Citibank has long been concerned with social responsibility within its own environment. It is only natural, then, for you to assume that this same feeling of responsibility would be demonstrated in our exercise of investor responsibility.

In stock selection, our analysts are required to investigate the social actions and responsibility of potential investment candidates with the same care used in investigating all significant tangible and intangible issues both economic and non-economic.

With new analytical techniques and sporadic information, consistent and logical decisions are difficult to generate. Because we cannot document the causes of acceptable corporate social responsibility we look for behavior characteristics. Our analysts consider:

—Is social responsibility limited to grants, gifts and contributions?

—Are employees allowed time off to pursue their own social roles?

—Does the corporation assign management to public-oriented activities?

—Does the corporation tie its long-range planning into that of its community and region?

Before corporate responsibility was so popular we would ask managements about their management development programs, research, or conservation programs, quality control, etc. Today, we

ask the same questions, but sociologists call it human resources development, product integrity, etc. Has anything really changed? This analysis can be improved, but we at least have some basis for evaluating corporate social responsibility.

The overriding consideration in all of our investment selections is a desire to invest in those companies which we believe to be well managed. Because of this criterion the investments we select are often also those which are generally recognized as being socially responsible. We believe this demonstrates the linkage between an aware management, social responsibility and good investment performance.

In the area of voting proxies, we maintain the policy that wherever possible the proxy or voting decision be passed to the customer. In general, we aim for the maximum dispersal of voting decisions and, where it is legally possible, we believe the beneficial owners should vote. We do not seek to exercise voting authority simply because we may be in a position to do so. We want to strengthen the institution of corporate democracy.

In confronting proxy questions, we try to keep uppermost in our minds that socially responsible behavior in the long run contributes to profitability. We also acknowledge that our fiduciary function requires us to analyze any contested issue whose outcome could have a material impact on the stock's price. With the establishment of stock voting guidelines, we believe our investment policy committee can more faithfully execute its fiduciary responsibility in the area of proxy voting.

In summary, it is our belief that as fiduciaries we have both a moral and legal responsibility to manage other people's money in a way that is most likely to optimize the investor's long-term return. At the same time, we do not feel that this obligation conflicts with the policy of favoring investments in companies that are sensitive to their social responsibilities. In fact, we believe that a socially responsible company is more often than not likely to be a better-managed and more profitable enterprise.

Management Techniques and Higher Education: Potentials and Problems

EARL C. BOLTON

Those of you acquainted with that wonderful children's world populated by the Grinch and other fanciful creatures kindled in the fertile mind of Dr Seuss will understand my predicament when I say that, during the preparation of this paper, I felt very much like Bartholomew Cubbins. Squire Cubbins, you may recall, was a man who tried simultaneously to wear 500 hats, and you can well imagine the complications inherent in that effort. As I recorded my thoughts on management techniques and higher education, I found myself frequently changing hats. First I would view the subject in light of my recent experience as a management consultant, then I would consider the matter from the standpoint of a former faculty member, then I would assume the perspective of a one-time academic administrator. Whether this identity crisis leads to bias, prejudice, neutrality or just plain confusion, remains to be seen.

Before I review some specific management techniques that may have high potential in higher education, let me introduce several problems and issues as background for our discussion.

The first such issue might generically be labeled "group paranoia," which manifests itself in several ways. For example:

> Some segments of the academic community are skeptical of the worth of some profit-making entities which manipulate management techniques solely to enhance their earnings records; ergo, perhaps management techniques in themselves are not to be trusted.

Another manifestation of group paranoia is the following:

> The faculty keeps a watchful eye on the administration and vice versa. Some faculty members believe that many adminis-

trators are insensitive, tight-fisted, inclined to be more interested in forms and numbers than in matters of intellect and beauty, and generally unaware of the real purposes of an educational institution. For their part, some administrators regard faculty as spendthrifts, underworked and unproductive, and out of touch with the RW, which stands for "Real World" in the mind of the chief fiscal officer and gibberish in the mind of the president of the academic senate.

The presence of the phenomenon I have labeled group paranoia is a little difficult to understand even though its manifestations are often evident. Many management techniques have originated—and virtually all of them are taught—on American campuses in departments of economics, accounting, business administration and in schools of management. Since the destinies of both the faculty and the administrators are inextricably combined in and related to the success of the total institution, one would suppose that a close sense of camaraderie would exist between the faculty and the administration, and indeed this seems to become increasingly the case as a given institution feels the financial pinch. However, management techniques will need to prove themselves in practice before they will be warmly received by all segments of the academy.

Another problem relating to the application of management techniques to higher education arises out of the fact that some of these techniques were indeed designed to assist profit-making corporations and are not directly transferable to the academy. Just as the faculty should avoid condemnation of all modern management efforts as inapplicable in the campus environment, so should the governing board and the administration avoid various "fads" of administration which emerge from time to time but which have not yet proven themselves effective outside the profit-making orientation.

A third issue to be noted at the outset is that the options available to a college as it struggles to remain financially strong and academically sound are clearly identifiable and distinctly limited. In its recent policy statement on *The Management and Financing of Colleges*, the Committee for Economic Development noted that, if a college is to deal with its financial crisis and remain financially strong, there must be either:

(1) Increased income through higher tuition
(2) Increased support from government
(3) Larger gift income

(4) Greater over-all efficiency in the use of resources
(5) Reduction in programs, or
(6) Some combination of these

My comments in this paper are addressed to point (4) in this listing, that is, greater over-all efficiency in the use of resources of higher education through the application of management techniques.

Now let me turn first to some broad—and then to specific—concepts related to the constructive application of modern management techniques to the academy. Broadly then, the first and perhaps the greatest potential arises out of the simple recognition that effective management techniques do exist and that they are subject to mastery by any responsible administrator who puts his time and talents to the task. As we all know, many, perhaps most, of the senior administrators in U.S. higher education have come "up through the ranks." That is to say, they were first teachers and scholars and became administrators when someone thought they saw in them the traits of administrator-executive-manager. Is it not interesting that the teacher-turned-administrator who readily recognized the existence of discrete and learnable disciplines in English, history, sociology, economics, political science and the like may tend to forget that there is also a well-recognized academic discipline in management and administration?

Libraries are written on these subjects, courses are offered in them, and degrees are awarded for their mastery. Once a teacher-scholar finds himself in a position where he is expected to be an administrator-manager, he should work as diligently in his new discipline as he did years before to acquire his terminal degree and admission to the faculty.

A second broad management concept which the academic administrator should have in mind relates to the management cycle, i.e., the orderly process through which a manager brings about a desired result. The management cycle consists of many interrelated steps and sub-steps, such as:

Planning
Programming
Budgeting
Implementation
Evaluation
Adoption of Plans for Next Cycle

Management is admittedly both an art and a science, and without appreciation of both aspects, it becomes "management by accident," "management by intuition" or management by hunch"—any one of which will in the long run prove ineffective for the institution and will lead the manager to unwise decisions.

Another management technique of inestimable value is *planning.* Along with the other great verities of life, almost everyone applauds and claims to engage in planning. But alas, like many virtues, it is more honored in the talking than in the doing. Planning in higher education comes in all shapes and sizes. It can be long-range, mid-range or short-range; can deal with academic programs, development plans, physical facilities, funding, staffing or any other aspect of academic life—but in every case planning is the means by which an enterprise establishes effective control over its own future. To be sound and usable a plan must be:

Logical, moving from established objectives toward achievable goals through the application of available means

Comprehensive, covering all aspects of the subject area for which the plan is being prepared

Flexible and action-oriented, designed to encourage rather than restrict initiative—firm enough to provide guidance but flexible enough to meet changing needs

Extend into the future, taking a prospective point of view for as long a period as courage will permit, e.g. three, five, ten years or longer

Formal, contained in documents which have been developed in such a way that they reflect a substantial consensus and are available for the guidance of interested groups and individuals

One more word about planning: Planning is relatively easy and unimportant in times of expansion and affluence. In such times, organizations tend to "manage themselves," and mistakes are overlooked as inevitable, due to rate of change, or forgivable in light of relative lack of consequence. The true manager gets his or her test, and the real planning document returns its highest reward, during periods of retrenchment and financial difficulty.

Another technique of management which will greatly increase the over-all efficiency and utilization of resources relates to clear delegations of authority and responsibility. Many tensions which arise between the governing board and the administration, or

among officers of administration, or between the administration and the faculty senate exist because there has been unnecessary imprecision in defining just what role individuals and groups are expected to fulfil.

> How many governing boards have made it clear to the president whether they want him to operate in all areas except those specifically reserved to the board or only in designated areas, with the board retaining authority for all areas not specifically delegated to the president? If each thinks the other has the authority for taking a given action, there can be real trouble, particularly in times of crisis. Incidentally, CED's recently published policy statement contained the following language:
>
> > We recommend that all executive powers not exercised by or reserved to the trustees or explicitly delegated to others rest with the president.
>
> How often does a governing board make precisely clear the areas for which the organized faculty is responsible?
>
> Do the senior officers, deans and department heads know with clarity their areas of responsibility and limits of authority?

If responsibility and authority are defined with care, a college will run more smoothly, the lives of its administrators will be more manageable, progress toward objectives can be measured, and performance and professional growth can be more effectively evaluated.

In the remainder of this paper, I want to outline and define several specific management techniques that have come into prominence in higher education during the last decade and appear worthy of our further attention and specific utilization as need arises.

Programming, Planning and Budgeting System (PPBS). These words have come to have two primary meanings:

> A system for developing a budget by looking at programs and plans to be achieved and then pricing the costs of that achievement. The system thus encourages decision makers to think in terms of objectives, alternative methods and relative costs;
>
> A method of arraying budget amounts against programs rather than in the more traditional line-item method.

Governing boards everywhere are demanding more precise information concerning the cost of programs and predictable cost

trends for the future. Administrations have often responded by installing a "program budgeting" system. Many of these are not in fact program budgets, but those I have examined do appear to give the decision maker more precise information upon which to base his decisions than is the case with the traditional line-item budget. Budgets are often regarded as the single most effective control device available to the manager. His knowledge and application of modern budgeting techniques should be extensive.

Management Information System (MIS). A system of communications designed to keep every level of management completely informed as to all developments in the enterprise which affect them. A *Financial Management Information System (FMIS)* is one segment of a total MIS and deals with information relating to financial aspects of the enterprise.

An administrator's decisions over a long period will only be as good as the accuracy and utility of the information upon which he bases those decisions. He may be lucky or intuitive in the short run, but if he is to have long-term success in his responsibilities as an administrator, he will need a carefully designed management information system. This does not mean more reports, indeed it very often means fewer reports than are being generated under the present system.

Management by Objective (MBO). Setting clear objectives and basing key decisions (e.g. budgeting, staffing) on how they relate to achievement of those objectives. Evaluation of "success" of management turns on amount of progress toward stated objectives.

This management technique contemplates the setting of goals each year as a result of discussion between supervisors and those supervised and a review of performance at the end of an agreed period to see how well those goals have been achieved. All of us can think of worthwhile projects which we have in mind to accomplish "some day." Experience demonstrates that those projects can best be achieved one after another if they are identified, known by all who must contribute to them as a current objective, and scheduled in such a way that progress toward their accomplishment will from time to time be reviewed.

In this brief paper I have noted that:

> Management techniques may not readily be accepted by the academic community—and indeed some of them should be un-

acceptable because they are inapplicable—but they are worth continuous study.

Among the limited options a college has in this time of financial crisis is greater over-all efficiency in the use of resources through constantly improved management skills.

Management techniques form the basis of a recognized academic discipline and should be the subject of continuous and in-depth study by those willing to assume administrative roles.

Planning is a management technique central to the successful work of the college administrator.

Clear delegations of authority and responsibility are indispensable to successful management.

There are a number of modern management techniques which can be applied successfully to our campuses, including program budgeting, management information systems, management by objective, and a thorough understanding of the management cycle.

The Education of Women and the National Economy

JANE P. CAHILL

In thinking about my assigned subject I had a moment of believing I would have to start with Peter de Vries' parody introduction: "Let me make this perfectly opaque."

But my views go simply like this:

1. Our national economy needs all the skill and intelligence and trained talent it can get—needs it always, certainly in good times, even more so in uncertain times such as these.

2. Women make up more than half our population. Therefore, they have at least half the intelligence in the country and deserve at least half the education to turn that into trained intelligence—education designed not for women, not for men, but for human beings.

3. Quite apart from the job that I believe women could do for our economy, I believe in something even more overriding—the right not of women in the aggregate but of the individual woman to do what she wants to do with her career and her life—to spend it in the home or on the assembly line or in an office or in a laboratory, or in some combination of these.

I agree with Willard Wirtz when he implies that the great goal of manpower policy should not be economic advancement but individual fulfilment. I recall that years ago, when Thurgood Marshall was general counsel of NAACP, he affirmed that he was fighting not for the rights of black people as a group but for the right of the individual black American to the pursuit of happiness.

4. When I look around, I have to admit that women—like members of various minority groups—do not have these options in America today.

We have all seen reams of statistics on this subject. Nineteen per cent of American women with four years of college, and seven per cent with five years or more, end up in such less skilled forms of employ-

ment as retail sales, clerical and service work, including domestic service. Only nine per cent of our scientists are women, only seven per cent of our physicians, only three per cent of our lawyers, only one per cent of our engineers. And so on.

It does not have to be like this. And in many other countries, it is not.

In Russia, 75 per cent of the physicians are women; in Finland, 23 per cent, and in Germany, 20 per cent. Or take lawyers. Half the lawyers in Denmark are women. Even in France, which does not have a strong history of feminism, 14 per cent of the lawyers are women.

But in the United States, even qualified women seem to put prospective male employers off balance. Like a mid-term report on a high school student sent to his parent. It said, "Fred is having some difficulty fitting in with his peers. His interests are scholastic, which has a tendency to set him apart."

One obstacle in the path of women, of course, is tradition. The point is demonstrated by the story of one Mid-West college in the 1960s that found that its students were happy to break rules but always respected tradition. So the school administration sent out this notice: "There is a tradition in this college that students may not cross the grass-covered areas of the campus diagonally. This tradition begins next Monday morning at 9 a.m."

So who can quarrel with the conclusion of Paul Samuelson of MIT that "By reason of custom, law, discrimination and motivation, women who are capable of holding jobs across the full spectrum of American economic life are in fact confined to a limited group of industries and occupations within those industries."? In these "ghettos," he continues, "the typical woman is lucky if she earns sixty per cent of the typical man worker—even though tests show that her IQ, diligence and dexterity cannot account for the difference. A gain of between ten and fifteen per cent of living standards—real per capita GNP is obtainable by ending these limitations and discriminations."

So there's the price we are paying.

Who's to blame? All of us, I believe:

—business and the professions, for dragging their feet.

—the educational system, for doing the same thing in its own house and for failing to help young women it has trained to break through into careers for which their training fits them.

—government, for failing to push hard enough against customs of the past.

—all of us, for failing to push hard enough on our government, for remaining complacent—for taking the absence of day-care facilities, or the logistical difficulties, or alleged infirmities of women as obstacles too great to overcome.

Just consider one area—guidance and counseling. Women often face not only inadequate but even negative counseling. A 1970 study of graduate students at Berkeley cited actual discouragement of women, implications that scholarship is unfeminine, indifference to their training and an obvious reluctance to help them find financial aid or jobs. Another survey was done at Stanford. Of 128 women questioned, about one-fourth said they had been discouraged from academic or occupational goals by "a member of the Stanford community" because of their sex. Another example: on one test used for counseling high school students, women could not be scored on certain traditionally male occupations while men could not be scored on certain traditionally female occupations. When women did take both versions of the test, one woman, for instance, scored high as a dental assistant, a physical therapist and an occupational therapist on the woman's profile. On the man's version, she scored high as a physician, a psychiatrist and a psychologist.

The final impression is a bit like that of the job applicant who was asked to put down on the data sheet what his strengths and weaknesses were. Under "strengths" he put, "Generally, I am trustworthy, industrious and get along with people." Under "weaknesses" he put, "Sometimes I am *not* trustworthy, industrious and do *not* get along with people."

But something else troubles me about the subject of the education of women and the national economy, and it is this: It seems to assume that this is a stand-alone problem, in a vacuum. And as long as we go on treating it as an isolated problem, I am afraid we shall never get it solved. For the larger subject, as I see it, is this: the education of men and women and the national *purpose*.

Let me sum up my concern in just one example. Less than a year ago, the Carnegie Commission, citing the 1972 *Manpower Report of the President* predicted that during the 1970s our economy would need approximately 9.6 million college-educated persons, but that something like 9.8 million would enter the labor force—200,000 too many. And then the commission went on to talk about an even more troublesome "large and growing surplus of men and women with advanced degrees." And it concluded by saying that we have reached the end of the road where we face a great demand for college graduates in the job market and

quoted the Manpower Report's forecast that we should never have a recurrence of the kind of demand we had in the sixties "short of a major war or other national catastrophe involving full mobilization of the country's resources."

Frankly, I found that conclusion shocking for a couple of reasons. First, because it implies that only war or disaster can make enough jobs to absorb every young American—man or woman—who has a higher education. Second, because it focuses, once again, on part of the problem, not the whole.

Can't we break out of these straightjackets? Can't we, for example, start off by rejecting the idea that only in war will we bother to do our best? And then, can't we start taking a look down the road to try to see what future crises might be coming our way? Then look past these crises that may hit us toward some national goals we should like to set for ourselves. Then take a look at people and education and work in America—not just college people, not just men, not just women, not just minority groups, not just higher education—but all people, all education including vocational, and all work, including work done by women and mothers in the home, to see whether we could not do a better job of organizing the whole process so that we can set and accomplish the goals—and in the process, give to each individual a personal fulfilment beyond anything we have ever known?

If the current energy crisis has taught us anything at all, it is the chaos that comes from failing to look ahead—not just through one-shot commissions but year in and year out, day in and day out—and of failing to train the kind of people and put them into the kind of work that will permit us to master the future instead of having the future master us.

So what I am talking about is the need not for women's liberation or minority liberation or male liberation but something I should like to call people's liberation—liberation through a comprehensive national human development policy.

Our policies of the past have largely responded to particular crises—the Employment Act of 1946 to the fear of postwar joblessness; or the 1962 Manpower Development and Training Act to the fear of widespread unemployment due to automation; or the 1964 Civil Rights Act to the particular grievances of a single minority group. But what we need now is a comprehensive national human development policy designed to put us in shape for the years ahead.

To set such a policy we need to look at many specific things:

—at the needs for highly-trained specialists in many fields;

—at the whole range of future jobs open to the young, not just at the half-dozen or dozen doctor, lawyer, merchant, chief jobs of the past;

—at new combinations of jobs (lawyers, for example, with detailed knowledge of technology);

—at paraprofessional education and paraprofessional employment: the role between being an open-heart surgeon and an orderly;

—at means to improve the responsiveness of the entire educational system to new demands for skills which come from changes in technology;

—at means for systematic retraining to prevent technological obsolescence;

—at means of opening to individuals second or even third careers;

—at the relationship between housework and child care and careers in offices and factories: If women come into corporations and professions in enormous numbers, can we work out new systems of day-care centers and flexible hours which will permit men and women to divide the responsibilities for household work and child care?

—at the need for educating women—and men—in the management of the increasingly complex American home—education in accounting, in consumerism, in such simple mechanical exercises as fixing the wiring and plumbing, in the training of children, in political participation and cultural understanding;

—at the perennial problem of the unemployed: Can we strengthen our legislation to make the Federal Government the committed "employer of last resort"?

—at the possibility of such a mechanism as a new GI Bill, for vocational as well as college training.

And finally, we shall have to look at the big and perennial question: How can we best educate the individual—every individual—for fulfilment and betterment and happiness?

Those are some of the things I think we must do in a far more systematic and sustained fashion than ever before. We do have some useful experience behind us in trying to look ahead—commissions set up under Presidents Hoover, Eisenhower and Johnson, not to mention a couple set up by Nelson Rockefeller. And in the manpower field, of course, we've had distinguished work done by such people as Eli Ginzberg, John Macy, John Dunlop and Willard Wirtz. Drawing on

this kind of experience. I believe we can do better than we have done in the past. And there are signs that we have already started moving.

Last April, the Carnegie Commission called on the federal government to improve and speed up the flow of current occupational information; urged that federal agencies continually review and analyze projections of supply and demand for health manpower and for scientific manpower through the 1970s; called on professional schools and professional societies to assist in this work; and on colleges and universities to improve their occupational counseling.

Then, on December 28, the President signed into law S. 1559, the Comprehensive Employment and Training Act of 1973. This Act, among other things, establishes a new National Commission for Manpower Policy: A permanent governmental body made up of seventeen members—the Secretaries of Labor; Health, Education and Welfare; Defense; Commerce; and Agriculture; the Veterans Administrator; and eleven members representative of labor, industry, commerce and education appointed by the President. The purpose of this new commission will be to identify manpower goals, conduct studies, make recommendations and report annually to the President and the Congress on our coming people needs.

This legislation, backed by the bi-partisan Governors' Conference, I believe fills a vacuum. I hope that it will become the focal point for devising the kind of human development policy I have been talking about. But we shall not succeed if we think we can turn the whole job over to this new commission and forget it. The job is going to take a lot of active help from all of us, in industry, in education, in labor, throughout our whole society.

On December 16, *The New York Times* carried an editorial headed "The Wasted Resource." It pointed out that "in every major crisis in recent American history, the nation's leadership has regularly turned to the universities for help"—from the establishment of the land-grant colleges to the FDR Brain Trust to the Manhattan Project. It complained that today our "universities are idling. Their internal energies are expended on retrenchment. University administrators direct their attention largely to ways of reducing expenses. Their main concern is how their institutions can survive while doing less." And it concluded that "this is clearly a time to mobilize the universities once again to the larger needs of the nation"—needs in the energy crisis, the transportation crisis, and dozens of other technical, scientific and social problems we face.

I agree with this editorial. And in fairness, I must add that I have often felt that not only the universities but industry and government have also been idling.

We are facing great crises now. We are going to face great crises ahead. The time has come for each of us to try to get a better fix on them and on the kind of education our people will need to meet them, and—beyond them—to reach some national goals we on our own motion set for ourselves. If we do this job—do it together in cooperation—we shall in the process do two things: solve the problem of the education of women; and—the biggest thing—offer the individual the greatest possible chance for fulfilment as a human being.

The Goals of Higher Education and the Manpower Needs of a Changing Society

CLIFFORD M. HARDIN

The topic assigned to me for discussion is "The Goals of Higher Education and the Manpower Needs of a Changing Society." Rather than dwell on the goals of higher education, which no one knows better than my audience, I will attempt to offer some thoughts on the relevance of college education today to industry's needs for educated people in this changing world.

I will be speaking primarily from the perspective of a businessman. Having been involved for many years in university administration, however, I believe that I have at least some understanding of the concerns of the administrator. I must hasten to add that I do not claim to be fully conversant with current problems and issues. I throw in this disclaimer because I remember so well the disdain I used to feel for certain former "administrative types" who seemed eager to break into print with their own solutions for every current campus problem and who, in doing so, reflected the fact that they were no longer sensitive to some of the subtle changes that had taken place since they left the scene.

Actually, the qualitative manpower needs of business today are essentially the same kinds as those that existed fifteen years ago, or further back than that. The basic need is for motivated and intelligent men and women who are capable of using their minds effectively. In considering the role of education, I would emphasize the latter capacity. The premium today, as it has always been, is *on the person who has been educated to think* incisively and definitively and who can communicate effectively his conclusions and resolutions.

In quantitative terms, the demand for graduates with specialized training in such fields as engineering, accounting or agriculture has not always coincided with the numbers seeking employment in any given year. All of us can remember periods in which the country was short of engineers and periods like the immediate past when there was

a surplus. Students do respond to market demand, but usually with a lag of about four years. This suggests that if our ability to predict can be sharpened and the information made available to students, we might be able to smooth out the cycles.

Often in American society we have waited too long to do something about a problem and then reacted excessively, sometimes with great emotion and inadequate preparation. Most of us remember the post-Sputnik period and its impact on the teaching of scientific subjects and on college enrolments. More recently we have experienced efforts to bring minority groups into the mainstream of education, and all of us have been touched by the "demands for relevance." Each time we have experienced one of these cycles we have experienced over-reaction, hastily conceived new programs, mistakes, backlash—and some soiid progress.

I recognize the pressure that exists today toward career-oriented curricula. Recently I visited with the director of placement for one of our largest universities, who told me that there are good job opportunities for nearly all graduates in such career-oriented disciplines as business administration, agriculture, engineering, accounting and journalism. At the same time he told me that possibly as many as two-thirds of the liberal arts graduates may experience considerable difficulty in finding jobs. He indicated also that business representatives are increasingly shying away from the liberal arts student.

Some members of state legislatures, state budget offices, and others have suggested that enrolments in certain disciplines should be limited because we are now producing a surplus of graduates in those areas. Perhaps the current surplus of qualified teachers has caused attention to focus on the misfit between supply and need.

There is widespread belief that faculties have given in to some of the pressures of our times in pursuit of the illusory thing called "relevance," that it has become possible for the liberal arts student to elect more and more general subjects in the name of relevance and at the expense of discipline of the mind. This may be a root cause of the lowered stature of the liberal arts graduate in the minds of many today compared to what it was in the recent past.

To the extent that students have opted for more courses that place a premium on glibness in contrast to thoughtfulness and definitive thinking, they have made themselves less attractive to business and industry. But perhaps once again we are observing a reaction in our society that is out of proportion to the size of the problem.

Fifteen or so years ago personnel officers of business overwhelmingly sponsored the attitude, "Give us a broadly trained graduate whose college career has afforded him a disciplined mind, rather than a graduate with a narrow-gauge specialty." Personnel requirements of business may not have changed as much in the intervening years as some people believe the quality of the liberal arts education has changed.

There is still—and there will continue to be—a need in business for broadly trained graduates who have experienced mind-stretching courses, have developed effective minds, and who can communicate with others. Likewise, there will continue to be an active demand for graduates of the career-oriented curricula who, hopefully, have also had some experience that broadens their total perspective.

To impose an arbitrary limitation on enrolment in any curriculum because of a current surplus of graduates or in order to force an increase in other areas is poor policy and stands a good chance of proving to be counter-productive within the span of four years or so. But once again, let me emphasize that the best interests of students, the institutions, and prospective employers would be served by a program designed to sharpen the tools of job market forecasting. If students are made aware of prospective opportunities, experience has indicated enough of them will respond.

I am aware of the feeling that exists in some quarters of the need to re-examine course offerings and provide more experiences which are work-related if the college or university is to maintain enrolment. The feeling is that institutions which fail to adapt to the need for integrated career-academic planning are likely to find their enrolments dropping. This is a hard, practical consideration that cannot be disregarded. It is an argument for well-conceived career-oriented curricula. It is my judgment that there is a place and purpose for a modest increase in work-related programs, provided they are well designed and carefully administered. Especially I feel that the work-related program can be useful in reaching certain prospective students who come from situations of economic disadvantage.

Our focus up to now has been on the responsibility of education for providing capable people. We should also ask, what can business contribute?

Although there have been some failures, business has made solid contributions to the education of the disadvantaged. Since one of the topics being discussed concurrently in another session is "The Educa-

tion of Minorities and the National Economy," I will not get into a detailed discussion of this subject. I would like to mention briefly, however, one of the approaches that has been taken by my own company in this regard.

We share your very real concern for the education of the economically disadvantaged. One approach which has been effective with us is the work study program. This program gives on-the-job training to persons who would not have had this kind of opportunity in times past. We have found that this program has motivated and educated people from disadvantaged backgrounds to the extent that a very high percentage of them have become happy and effective employees.

Another area where business is participating effectively in education is through intern programs. In our own case, we find that there is a greater demand today from colleges and universities for participation in various intern programs than at any time in the past. Such programs can be advantageous to the student, the institution and the company, but only under proper conditions. The intern must provide a constructive input rather than represent a liability and a deadweight cost to the company. Intern programs are costly to business; we become involved in them on a selective basis in areas of our business where the intern can make a meaningful contribution.

In summary, I would say that:

1. The career-oriented curriculum is useful in fulfilling the manpower needs of business, but there is, indeed, still a need and a place for the broadly-trained student who has developed the capability of using his mind effectively.

2. The quality of the liberal arts degree program should be maintained most carefully.

3. The career needs of business must be taken into account in planning curricula, but there must not be an over-reaction to the pressures of business, state legislatures or others to make trade schools out of colleges and universities.

4. Balance should be the goal in fashioning curricula to meet the manpower needs of business—balance born of a proper perspective on all the pressures involved in personal development and the fulfillment of the changing requirements of jobs in business and industry.

Undergraduate Education for Living in a Technologically Intensive Society

CHARLES KIMBALL

Not many years ago, the object of many of my talks was to increase public awareness that science and technology were essential elements in our economy and society. My point was that the U.S.A. had become highly dependent on technology without explicitly recognizing it. As a result, we were often squandering the resource—i.e., our technology. We were not taking the steps necessary to maximize the benefits of technology nor to minimize its inherent penalties, and our institutions and their interactions were not adapting to function well in the increasingly technological society.

Today, these points are broadly recognized. We have had pollution and anti-assembly-line worker rebellions, increased leisure time, productivity commissions, the Congress establishing an Office of Technology Assessment, and most recently we have heard about our energy crisis.

Technology is certainly the basis for our economic wealth, but it has pushed and pulled us in conflicting directions and precipiated multiple conflicts in our whole way of life, including governmental strains.

The point that we have a technologically intensive society hardly needs making. We are all aware of the *things* we have now that we did not have twenty or thirty years ago.

Now, there is some disenchantment with technology, but it too has its good points. Each of us faces a partial return to a life style less technologically supported, as a result of energy shortages. We can individually contemplate what that will mean. I, personally, am utterly dependent upon the advance of technology in the last decade; I have a pacemaker.

A supplementary note on the role of technology in our society comes from a study the Midwest Research Institute conducted a couple of

years ago. In it our economists determined that over forty per cent of the real economic growth in this nation since World War II is traceable to new technology introduced into the national production function during the last thirty years.

The increasing technologization of our economy and society has provided jobs for an increasing number of professionals and technicians. Indeed it has come about only as trained people with the requisite skills became increasingly available. By the same token, the productivity gains obtained through technology permitted this nation to allocate resources more and more to activities concerned with the "*quality* rather than the *quantity*" of life. In at least some measure, this led to overt recognition of some of the penalties we were incurring from burgeoning technology. And it also permitted trained people to pursue careers not previously viable in a "quantity of life" society. All of these forces traceable to technology have impacted upon education and will continue to do so in the future.

If I were to look ahead a bit and try to forecast the future, I would look beyond current economic, political and social traumas and I would say that we shall see more technology in manufacturing and in business services, with a greater demand for highly trained specialists. A smaller proportion of the work force will be in basic industries and a larger percentage in what might be considered non-essential activities, ranging through leisure and recreation to enrichment of human values. And, we will have the shorter work week—more time free, either to use or to waste.

In this technological society of the future there are at least three sets of actors: employers, students, who will become employees, and educators. Each has different requirements and faces different challenges. Let us briefly examine some of the more obvious.

From an employer standpoint, industry—and government— will need more technicians, planners, analysts, computer specialists and professional services. The traditional low-skill service jobs will continue to be replaced by automated, quick-service franchise activities, and we shall see the emergence of a newer set of professional requirements which involve imagination combined with business acumen.

The student will need both specialized skills in technology, in order to get a job, and a humanist grounding for his non-job life and to ensure that he can recognize potential perversions of his technical skills.

The educator faces the problem of providing, in the four undergraduate years that tradition has allowed him, specialized training so

that graduates can get and keep a job, and at the same time, well-rounded sensitization for the non-job part of their lives. I am not sure it is possible to do both in an undergraduate education delivered in the traditional format.

Two extremes of values of education need to be considered. On the one hand, a college degree is becoming less and less a status symbol of wealth. The smart guys recognize that their increased income derives from productivity gains—what they can deliver for their employer.

On the other hand, the new, lower-income student approaches his education with a highly vocational view. He wants job skills so that he can earn good wages—and to hell with the humanities and fraternities. These kids have turned to the community colleges—the fastest growing segment of our higher education system. They want to concentrate on something which will move them up from the bottom of the job pile. Between these two extremes there is the traditional state university and the fact that it may no longer be possible to train *and* educate a student in a four-year program.

So educators and students may have to decide on either of the following approaches.

The first is the need for a broad base of cultural, value-forming knowledge to forestall the tunnel vision that now exists in specialized technical curricula. Technology should be the servant of mankind and yet go hand in hand with a better humanist base to avoid the fictional Dr Strangelove syndrome and the non-fictional abuses implicit in Watergate and related affairs. Second is the need to teach problem-solving skills as opposed to the learning of facts. Dr Grayson, head of the business school at Southern Methodist, has attacked this problem beautifully, radically, and I suggest you read his piece on the matter. But I believe it would be still better if some blend of the two could be achieved. The product of such an undergraduate education would be what I call an "interface man," standing astride the two elements that must be linked, namely technology and society.

Let me turn to a few thoughts on this interface man. He has the responsibility to use knowledge, old, new and emerging to provide the coming service society with its wants and needs. But the problem is that both ends of the gap change very rapidly: the knowledge available and society's expectations. This race between opportunities and expectations could not have been foreseen a generation ago. But in today's and tomorrow's technologically intensive society, the pace of change is more rapid than could have been conceived of thirty years ago.

Interface people, who are necessary to cope with this rate of change and channel it into productive and fulfilling applications, are increasingly less disciplined-oriented. They must deal with problems of air and water pollution, solid waste, traffic congestion, brought about by our affluent society, not simply problems of chemistry, electrical engineering, accounting or programming.

Much can be done in a four-year course to develop the sort of man or woman who can deal with problems and opportunities rather than function within a discipline.

To examine just what these people need to be able to do to perform the role of the interface man, I want to turn to my own experience as head of a not-for-profit contract research institute for some 25 years. I think my experience is relevant to the demands of the future, because we—by virtue of our role in the economic and social scheme of things—have had to be ahead of the pack. The types of people we have found it difficult to obtain as recent graduates, may well be models for the type of workers required by the broad range of industry and business and government in the future. We have experienced no difficulty in recruiting highly skilled scientists, engineers, economists, etc. But we have had, so to speak, to grow our own interface men. And interface men are what we must have in order to deal effectively with the problems that government and industry pay us to investigate.

I am going to focus the remainder of my remarks even further and talk mainly about engineers, because they are the people who currently come closest to being astride the interface between technology and society. But, as you will note, I believe that engineering training and education needs to be altered somewhat if we are deliberately to generate effective interface men. I do not really mean to pick on engineers: they are only the candidates for the interface men that I personally am most familiar with.

Also, I well recognize that many different types of people with a bewildering array of skills will be needed by a technologically intensive society. I am, however, going to limit myself to the type of skill I think is in shortest supply—interface men. Perhaps the discussants in this session, with backgrounds and viewpoints different than mine, will want to point out other skill needs and the resultant demands they will place upon undergraduate education.

We need a whole new psychological framework. For example, the goals of management in a private company revolve around the success of that company as measured by profits, growth and competitive posi-

tion. In contrast, technologists are often primarily career-oriented, seeking as their main goals individual recognition in their profession, satisfaction in their work, and the discovery of new knowledge. Their inability to fulfill their personal goals within the framework of corporate goals is often the core reason for the problem managers and technologists have in private companies.

We see, in many cases, the man with a master's or doctor's degree in engineering who cannot write or communicate his findings, or who has little, if any, economic understanding or drive. We observe the orientation of some graduates who regard research as a special, privileged way of life, remote from the real world. We see the rapidly growing preference, especially among younger engineers and scientists, for working on problems of outer space or other exotic federal activities, as opposed to those who seek out the problems of industry and consequent economic growth or less glamorous public issues.

I could cite the great preoccupation of many engineers with the professional journal—the "publish or perish" syndrome—the confusion between publication and communication, the tendency to downgrade the soft sciences, and a generally inadequate appreciation of management skills, functions and problems.

The fault does not lie entirely with the educator. Many industrial organizations have failed to appreciate adequately how technically-skilled people should be used in industry. New graduates are rarely given a sense of how they may, by their own skill, bring profit to the company and themselves. Some ways have to be found to give these young people a sense that careers in industry are likely to be more rewarding and more satisfying than careers in occupations farther removed from the economic point of the spear.

I have found that the university curriculum in engineering or technology often arouses expectations, and emphasizes values and goals, that are inconsistent with the realities of corporate life. This results in dissatisfaction among graduates who come to work in industry, based in part on the unrealistic hope for a life very much like an extension of graduate school. In some schools, professors with industrial backgrounds have helped inject the realities of competitive corporate life into the curriculum, illustrating the role engineers will play as employees in a corporation.

Let me turn now to the contribution the engineer can make in the public sector. The engineer has been traditionally viewed as a person who modifies his total environment, yet we seem to be increasingly

frustrated in our ability to apply America's technology to the unfilled public needs of this country. One reason is that engineers are simply not adequately prepared to participate effectively in the arena of public policy. Thus, the engineer is most frequently characterized and used as a technical expert, called upon to deal with specific technical problems rather than policy problems.

During the next generation, I hope we will see a growing emphasis on the social, political and economic system. Because, to deal with the social system, of which technology is a part, and thereby to make technology more effective within that system, the engineer needs a greater insight into the nature of society—human motivation, the relationship of the individual to organizations, and the psychology and process of innovation and change.

We are entering an era in which society no longer focuses its main attention on science and technology but more on a better understanding of the dynamic behavior of our new social system, which is based largely on new technology. So, the interface man can provide the connecting link between technology and society. And here I am speaking of such changing factors as the much greater mobility of people, both physically and in terms of ideas, the rising level of expectations among all persons, and the constant upgrading of tastes, which is one of the most significant hallmarks of our present society.

Technologists are at present trained and rewarded largely for developing means, not goals, while the goals are traditionally viewed as the role of the politician or the social scientist. But this is inconsistent with the technical man's future role. He must abandon his view that emotional pressures from society can be excluded as irrelevant. Life is not that simple. In fact, his objective variables are often really inconsequential as compared to the subjective value judgments of society. When social values are not considered, the system often fails, and the technologist is frustrated because the system does not respond as he thought it would. As a result, he is often viewed as being narrow and lacking interest in social problems. This is not true. It is simply that his body of philosophy, attitudes and theory needs to be reviewed and modified. He has to develop a dialogue with society at large.

Another problem is that too few technologists see that the application of technology to the solution of social problems is conditional on securing confidence. He is not adequately aware, at least in the contemporary American setting, that he must achieve the confidence of political decision-makers in his capability to devise feasible solutions.

I think that in the past too many technical people have been content to solve those problems that may be described as social housekeeping. Roads, sewers, smog, information-transmission systems and the like are important, but they are only pieces of the much larger and more important system. There is a distinction between designing a sewage treatment plant and participating in the social decision process necessary to solve a regional sewage problem.

We will not be able to fulfil the new role of engineering for social systems over night. But, for the time being, those of us in positions of responsibility can modify our own attitudes, and attempt to lead, guide and otherwise motivate our associates in that direction.

You have heard the old saying, "The past is history; the present is too formidable; only the future is malleable." That places the responsibility clearly upon our colleges and universities to train the type of person able and willing to be an interface man in the full meaning of this term as I have tried to describe it today. This is going to call for some soul-searching in academia. The type of education many receive as undergraduates will not do for the future.

Most youngsters have very little understanding of our social systems when they matriculate. Training that is concentrated on an understanding of the physical world is too shallow and narrow. In recent years, there has been a move to broaden the depth and scope of technical engineers' training, but in many cases it has not amounted to much more than an occasional course in social science. The probability is great that too many professors themselves do not understand what their colleagues in the "soft sciences" have been talking about—just as the "soft science" professors do not always understand or appreciate the contribution engineering philosophy could make.

This package has no easy solutions. It will require reappraisal of the role of technical education in our society, and an entirely new dimension in attitudes—a new point of view looking outward to the public the school should serve, as well as inward to its customary educational responsibilities. In no way am I deprecating the traditional role of the university. Rather I am suggesting that new roles are also appropriate —new dimensions to meet challenges which have their genesis in the traditional role. The schools of the country have an important role in providing training, experience and special insights which will help to develop the skills and attitudes that make all of us more innovation-prone, more responsive to opportunities to adapt ideas for profitable use through out-of-context matching of essential concepts.

Much research needs to be done on the effectiveness of adaptation and the barriers limiting it. This would help both the public and the private sector to provide the climate that motivates creativity. It is the entrepreneurial function of public and private management in this new society which must be discovered—the ability to match the needs, wants and good of society with our vast ability to do things, which we call technology.

The technical entrepreneur, the champion of a new idea, is frequently the main force behind technical change. His main strength may be enthusiasm, ingenuity and a commercial or public purpose, not a research point of view. He may be more distinguished for these attributes than for his technical expertise. His role is a vital constituent of the transfer of technology from those who know to those who need to know. These individuals need to be described, characterized and identified as early as possible in their educational and professional lives, to be provided with significant and relevant educational opportunities, and then to be given working environments that will make their contribution meaningful.

Significant economic and public-mission use of technology will occur only when the right people, the right markets and the right ideas coincide with usable technology at the right point in time.

I will close by making the same suggestion here that I made when I testified before the Daddario Committee of the House of Representatives a few years ago. I said that there ought to be deliberately developed techniques, curricula, experiments, even new institutions to provide the nation with many more effective people who can serve as "appliers of technology"—and this does not mean merely men who are trained to practice applied science. Such persons will understand the world in which commercial and social forces operate, with a broad technical background as well as a multidisciplined education involving science, engineering, economics and sociology. An "applier of technology" would be able to understand the limitations of the market and would be capable of communicating his findings in the context of their economic utility.

We have seen from recent reports that new knowledge often requires years or even decades before it is put to economic use. But the transformation of knowledge can often be more effective economically and more capable of acceleration than creation *de novo*.

Can we afford to fail on the ground while we succeed in space? Can we identify and assess the urban effects and the role and pace of tech-

nological change? Can we identify and describe the impact of technological and economic change on production and employment? Can we define the areas of unmet community and human needs toward which application of new technologies might be most effectively directed? Can we assess the most effective means for channeling new technologies in the most promising direction? I believe we can succeed on the ground, as well as in space, and do it within the framework of a democratic society.

Finally, I have talked about the kinds of people I see us needing in the technologically intensive future. I have not said much about how to educate these people specifically—that I leave gratefully to educators.

The Financial Community as a Source of Student Loan Funds

JAMES J. O'LEARY

The Growth of Government-Guaranteed Student Loans

Since the inception of the government-guaranteed student loan program in late 1965 through October 1973, approximately 6.5 million government-guaranteed student loans have been made, totaling $6.4 billion. The *annual* loan volume has increased from $77 million in fiscal 1966 to $1.2-$1.3 billion in fiscal 1972 and 1973. Table 1 shows the growth in the number of loans and dollar volume since 1966. Since its inception the program has provided loans to 3.5 million students.

Since March 1973, with the change in legislation affecting eligibility, the number of guaranteed student loans has been about 32 per cent lower than the number in the year preceding the new legislation. However, there has been improvement in the months of September and October, the latest two months for which figures are available. The Office of Education is currently projecting that 890,000 loans, totaling slightly over $1.0 billion, will be made in fiscal 1974.

What Institutions Make Government-Guaranteed Loans?

As shown in Table 2, the latest available statistics indicate that 69.4 per cent of the government-guaranteed student loans have been made by commercial banks (both national and state banks). The mutual savings banks have made 8.7 per cent and the savings and loan associations 7.1 per cent of the total loans. The remaining 14.8 per cent have been made by credit unions and other lenders.

It is undoubtedly natural for the commercial banks to have made the bulk of the student loans. The other major financial institutions are strongly oriented toward the home mortgage market and are not so well equipped as the commercial banks to originate and service small personal loans. Nonetheless, the funds available to the commercial

banks for total loans and investments are subject to sharp fluctuations depending on Federal Reserve policy, a fact which has suggested for some time the need to broaden the base of student loan funds.

What Has Been the Lender Experience?

As it has developed, lender experience with government-guaranteed student loans has not been good. In fact it has been a matter of serious concern. As of 30 June 1973, it is estimated that 5.7 per cent of the loans to students no longer in school or in the grace period have been defaulted. Moreover, as of that date, 38 per cent of all loans made by vocational schools as lenders are delinquent and 36 per cent of all loans made by higher educational institutions are delinquent. The delinquency rate for all lenders including commercial banks is approximately 11 per cent. Delinquent loans are defined as those thirty days or more past due.

It appears that major efforts must be made to improve the collection of guaranteed student loans if the program is to retain the support of the Congress and the lending institutions.

What Are the Problems in Student Loans?

What problems do the lending institutions, and particularly the commercial banks, see in the government-guaranteed student loan program, aside from the high delinquency and default rates? A major problem stems from the fact that the average maturity of the loans is surprisingly long. I am told that in a high proportion of the loans there is no repayment of principal for as long as eight-ten years. The reason is, of course, that after a four-year college period many of the student borrowers go on to graduate school or into the armed services, during which time they are not required to repay the principal. The commercial banks, in particular, prefer to make short-term loans and to have their loans repaid during a short period. The comparatively long period during which there is no repayment of principal tends to impose a limit on the size of a student loan portfolio which a bank will be willing to hold.

A second problem—related to the first—is that guaranteed student loans are illiquid. As I shall explain presently, the Student Loan Marketing Association (SLMA) should help to meet this problem. The commercial banks prefer to hold a comparatively high proportion of their assets in short-term, highly liquid form—for example, in short-term business loans or in short-term municipal bonds. During periods of strong increase in business borrowing the banks want to be able to

sell assets without incurring serious losses, or to borrow against assets, in order to respond to loan demand. Before the advent of SLMA, the guaranteed student loan portfolios were completely illiquid, which, of course, put strict limits on the size of such a portfolio a bank would be willing to hold.

A third problem for the commercial banks with respect to their making guaranteed student loans—or for that matter any loans or investments—lies in the fact that the Federal Reserve authorities have the ability to control the availability of credit extended by the commercial banks. During periods of inflationary boom in the economy, such as in 1966, in 1968 and early 1969, and in 1973, the central bank authorities pursue a policy of restricting the availability of credit. In such periods, when the commercial banks are confronted by a strong demand for short-term business loans, and the monetary authorities are acting to curtail the general availability of credit, the commercial banks are inevitably led to restrict the extension of highly illiquid guaranteed student loans. Thus, in 1966, 1968-1969, and 1973, it is not surprising that there was a reduction in the availability of commercial bank loans to students. Since the bulk of student loans is made by commercial banks, these years have been ones of crisis for the government-guaranteed student loan program.

The final problem which should be noted is that the costs of servicing a guaranteed student loan are very high so that many banks question whether they can cover their costs in making guaranteed student loans. There are no good data available on what it costs a bank to service student loans, but the cost is undoubtedly high. Each loan is very small in amount and the costs of originating a loan, as well as collecting interest and principal, are unquestionably high. In spite of what may seem to be a generous interest rate on the loan, many banks doubt that the return exceeds the cost of money plus servicing costs, at least not as much as with commercial and other bank loans. So, the question of profitability, as well as the liquidity, tends to make guaranteed student loans unattractive to commercial banks, especially in periods in which the Federal Reserve authorities are pursuing a restrictive credit policy.

These, then, are the problems which lending institutions, and notably the commercial banks, have seen in the guaranteed student loan program.

The Role of Sallie Mae

The Student Loan Marketing Association was designed to meet many of the problems I have outlined. Sallie Mae came into existence

by an act of Congress late in 1972. Its board of directors, with equal representation from lending institutions, educational institutions and the general public, began to function in February 1973. Edward A. McCabe, attorney, of Washington, D.C., serves as chairman. Shortly after the formation of the Sallie Mae Board, Edward A. Fox was chosen to head the association as its president and chief executive officer.

In less than a year the organization has been shaped and staffed and SLMA is a going concern, slated, I think, to play a highly important role in the guaranteed student loan field this year and in the years ahead.

The basic function of Sallie Mae is to provide a "secondary market" for guaranteed student loans. Those institutions making student loans —commercial banks, mutual savings banks, savings and loan associations, educational institutions and any other lenders—can "warehouse" their student loans with Sallie Mae or actually sell such loans to Sallie Mae. By "warehouse" is meant that a lending institution can borrow funds from Sallie Mae against the collateral of guaranteed student loans. Under law, the proceeds of such "warehousing" or borrowing must go back into new student loans. There is no such requirement with respect to funds raised by the sale of guaranteed student loans to Sallie Mae, but my guess is that a high percentage of funds raised in this way would go back into student loans.

Sallie Mae holds out a great deal of promise toward meeting the problems in the past of the government-guaranteed student loan program. First, it provides liquidity to student loans. By lending against such loans ("warehousing") or by outright purchases, Sallie Mae provides a facility in which student loans can be liquidated—that is, turned into cash. This means that periodically, when Federal Reserve credit policy becomes restrictive, the commercial banks will be able to raise funds from Sallie Mae by either warehousing loans or by selling loans to Sallie Mae. The same facility will, of course, be available to the mutual savings banks, the savings and loan associations, and other lenders, including educational institutions. Accordingly, Sallie Mae has the power to even out the flow of funds into guaranteed student loans and to prevent periods of extreme lack of availability of such loans as in 1966, 1968-1969 and 1973.

Perhaps most important, Sallie Mae will have the great advantage of broadening the source of loan funds for the guaranteed student loan program. Under the enabling law, Sallie Mae has the power to issue its own debentures in virtually unlimited amounts to the general public. These debentures have a U.S. Government guarantee so that

Sallie Mae will be able to borrow at a preferred interest rate. The debentures (especially the shorter maturities) will be attractive to institutions such as life insurance companies, uninsured pension funds, state retirement funds, property insurance companies, and other institutions, as well as individual investors, which could never be expected to make small loans to students. And yet the funds of such institutions and individuals will be available to Sallie Mae to purchase student loans as the need arises or to warehouse such loans. Thus, Sallie Mae greatly expands the total loan resources which can be directed into student loans. I would not be surprised if within a decade, if not sooner, Sallie Mae had several billion dollars of student loans in its portfolio.

What institutions are eligible to use the facilities of Sallie Mae? All of those financial institutions making student loans are, of course, eligible. But it should be recognized that educational institutions making student loans are also eligible. It seems to me that Sallie Mae, once its functions are understood, can be of great direct aid to educational institutions with their own student loan programs.

Since 4 October 1973, Sallie Mae has sold $200 million of debentures and has already "warehoused" $80 million of loans. It plans to raise additional funds early this year to begin a purchase program to provide further assistance to the guaranteed loan program. It is expected also that Sallie Mae will issue about $50 million of stock early this year to lending institutions and educational institutions eligible to purchase the stock. It is highly important that such stock be sold, not only because it will provide funds for the Sallie Mae operation, but also, and more importantly, because a successful stock sale will provide a sound basis for the issuance of debentures.

Concluding Comments

In conclusion, I am very optimistic about the financial community as a source of student loan funds. The financial institutions, and notably the commercial banks, have done an outstanding job in providing funds for the financing of student loans. The new Sallie Mae will make this financing much more reliable and less unstable and it will greatly broaden the sources from which student loan funds are available. Sallie Mae has the potential to solve the past problem of inadequate and unstable availability of government-guaranteed student loans. There remains, however, the problem of excessive defaults of such loans and the question of whether eligibility for such loans is broad enough to meet student needs in this period of inflation.

Table 1.

Growth of Government-Guaranteed
Student Loans, Fiscal Years 1966-1974

Fiscal Year	Dollar Volume ($ millions)	Number of Loans (000)
1966	77	48
1967	248	330
1968	436	516
1969	687	787
1970	840	922
1971	1,044	1,081
1972	1,301	1,256
1973	1,198	1,088
1974 (4 months)	602	479
Total	6,433	5,507

Table 2.

Lender Participation in Government-
Guaranteed Student Loans

Type of Lender*	Number of Loans	% of Lenders	Cumulative % of Loans
National Banks	5,792	30.2	40.0
State Banks	8,365	43.7	29.4
Mutual Savings Banks	447	2.3	8.7
Savings and Loan Ass'ns	1,665	8.7	7.1
Credit Unions	2,592	13.5	3.0
Direct Loan Program	2	0.0	5.9
Other	314	1.6	5.9
Total	19,177	100.0	100.0

*Includes some branches

Partnership Between Academic and Business Communities

ARCH McCLURE

Discussing a "partnership" between business and higher education exclusive of other elements in our society can be misleading unless there is awareness of other broad interrelationships. It is like discussing the relationships within a family but limiting them to the educational pursuits and occupations of its members.

The fact is that such relationships are heavily dependent upon and affected by a great many other factors involving the social and political climate and moral and religious traditions.

Our academic and business communities in America have grown up together as integral parts of the over-all society. Both continue to be impacted by interactions and signals from many other elements. As a current case in point, both business and education in the past few weeks have been unexpectedly reappraising present and future strategies and plans in depth because of sudden, critical energy supply considerations. The academic and business communities have developed as they are today because of the way our nation was established and has developed over the past 200 years.

For example, our founding fathers sought a free and democratic society in which each individual has the widest possible personal freedom and opportunity for personal success. As a result, our economic system is based on free enterprise. And our free-choice educational system has traditionally been more readily available to *all* citizens and has proven more successful both qualitatively and quantitatively than any other in history.

Again, because of the founding fathers' belief in religious freedom and separation of church and state, a dual educational system—private and public—has developed, beginning with Harvard in 1636 and the University of Georgia in 1785.

The simple point is that this academic and business partnership is a unique product of the over-all American society and includes important relations with our governmental institutions, in some cases with our churches, and with society in general.

To narrow the focus, this discussion will deal specifically with the business-academic partnership at the college level insofar as is possible. This partnership has been a long and mutually beneficial one.

Business' support of higher education started from a relatively small base in the early years of the American republic. The earliest colleges and universities were established primarily to train doctors, lawyers, theologians and a wide range of other professionals. Business' needs at first were not great. Religious leadership constituted a majority of the trustees on college boards until the early 1900s.

But as business grew, the need for managerial people, accountants and technicians likewise grew, necessitating larger outlays from corporations to academic institutions. Many colleges and universities have been founded in large part with business leadership, and today business provides over seventy per cent of the trustees on college boards.

The reasons for business' support of higher education are obvious:

First, the educated manpower essential to business comes primarily from our colleges and universities.

Second, business depends greatly on new scientific discovery, and much of this new knowledge comes from our institutions of higher learning.

Third, business flourishes best in an optimum social, economic and political climate. Higher education contributes positively to all three.

The business-academic partnership has worked increasingly well over the years, with educational institutions adjusting constantly to changes in our society over-all, and also specifically to changing needs in the business community. Let us take a few examples.

As the nation spread westward there was a need for engineers to build railroads, technicians to develop resources, agricultural experts to develop the food supply and trained people in many other new fields. The educational community responded with more and larger schools to accommodate more students and new disciplines. The development of land-grant universities was a direct response to the need for trained people in the agricultural field, for example. Railroad, mining and agricultural industries were just a few of the businesses which benefited.

The development and growth of mass marketing of consumer-branded products within the American business system in later years brought about a need for thousands of people in such disciplines as market research, merchandising, advertising and retailing. Once again the educational community responded by setting up the necessary programs to train them.

The growth of technology in American business—for example, aviation, mass communications, the automotive industry—necessitated a whole new type of trained specialist, and again the educational community responded.

During the past decade our institutions of higher learning have adjusted to such entirely new developments as computers, television and space-age science. And most recently, they are taking up the challenge of environmental and resource management.

Finally, not only has the educational community responded to business' growing and ever-changing requirements for people, but in many cases our educational institutions have provided the basic research that brought about new discoveries and wholly new businesses.

Business will continue to count on these kinds of contributions through its partnership with higher education.

As the educational system has grown numerically and in diversity, so has business' financial support for higher education grown. Total corporate contributions to education in 1972 topped $365 million.

Over-all voluntary support for higher education, including that of corporations, rose by more than 39 per cent in the past five years, or about eight per cent a year, and is expected to rise another thirteen per cent in the current year.

On the surface that would seem a good trend for the future of higher education. A closer look at the statistics, however, shows that during the same period enrolment has risen by forty per cent, which results in approximately the same volume of support *per student*. Furthermore, total expenditure by higher education has increased a whopping seventy per cent. So the fact is that voluntary support is not keeping pace with increasing costs.

Expenditures exceeded income for about sixty per cent of all private four-year colleges in 1971, while numerous major public institutions were also incurring deficits. Many universities and colleges have reduced programs, disposed of parts of their campuses and even closed completely in some cases.

Why are these things happening? There are two primary reasons.

First is the enrolment boom of the sixties. In pursuit of the belief that everyone should have an opportunity for a college education, colleges and universities greatly expanded facilities and staffs to meet society's growing expectations. This was accomplished with unusually heavy support from government. Enrolments have since leveled off or dropped, leaving many institutions with student vacancies and heavy fixed annual expenditures.

Second is the problem we all face—rising costs in a period of severe inflation. In the case of higher education, the rate of cost increase per student has exceeded the general rate of inflation. This is largely attributable to the lack of major productivity improvements in higher education. Important improvements have occurred in education, such as in quality of instruction. But the labor-intensive character of education, as in other service industries, has made increases in productivity more difficult to achieve than in some areas of business, where automation or mechanization are possible.

Many colleges and universities have taken measures to cope with the situation on a short-term basis, such as holding down faculty salaries, cutting maintenance and making significant retrenchments in programs. Such reductions can help temporarily, but not all can be continued indefinitely if higher education is to remain strong. If universities and colleges are to survive, bold new action will have to be taken, such as:

1. Increased income through higher tuition;
2. Greater over-all efficiency in the use of resources, through night and summer sessions, for instance;
3. Priority reduction in program availability;
4. Favorable tax exemptions or increased support from governments.

As mentioned above, voluntary contributions to education, including corporate gifts, are expected to rise by thirteen per cent this year. However, in view of inflationary pressures, shortages, rapidly rising costs and huge expenditures for such corporate responsibility programs as environmental control, it is not likely that business giving will increase significantly in the immediate future. In fact, in some cases it may be impossible to maintain the present level of support.

In this climate, continued evaluation of the financial crunch by both business and higher education will be necessary in order to assure meeting essential needs.

There are more than 2,600 colleges and universities vying for corporate dollars. Obviously, no one business can support all or even a significant number of them. Traditionally, companies like Quaker Oats have used such criteria as the following to decide where the funds shall go:

1. Those schools which have been and are primarily sources for the kind of educated manpower we need and seek;
2. Those schools which provide the basic research required in our business;
3. Those schools which serve areas where we maintain operations.

There are, of course, other factors—such as innovative programs, support to minorities and/or minority institutions to meet social progress commitments, scholarships and matching gift programs. Speaking of matching gifts, Quaker established a 2-for-1 program several years ago, and last year introduced the first 3-for-1 program in the nation. The secretary of our foundation advises me that there has not been a request from any college or university asking for a list of their alumni at Quaker for the purpose of making a special appeal for matching gifts. It appears that both business and college development staffs can strengthen promotion and resulting financial support of such programs.

In the future many businesses making decisions regarding restricted grants, special grants for reseach, and particularly unrestricted operating grants will be judging recipient schools on the basis of more than the traditional criteria.

Most importantly, companies will review how effectively colleges manage the resources entrusted to them.

Next, business will look at the definition of an institution's mission and goals. Why is a particular institution special and why should faculty and students be attracted to it? What strategies does the school have for achieving its goals, and is there a genuine commitment to them on the part of the staff?

Also, business will look at the institution's principles and guidelines for achieving objectives. What is the organizational structure of the school—its faculty, programs and departments? Is it designed to carry out the school's strategy? What are the results?

Finally, business will look to see if the institution reflects long-range planning in its annual budgets as well as short-term planning. Are sufficient financial and operating data available?

Many schools follow such practices now. In the years ahead those schools with sound management techniques and a record for meeting educational objectives will generally be the ones that receive higher funding priority.

On the subject of unrestricted gifts, there has been some recent business comment, including suggestions that business discontinue unrestricted gifts to institutions of higher learning. One specific recommendation was: "In the future we should focus our money and our energy on those schools and departments which are strong and which also contribute in some specific way to our individual companies and to the general welfare of our free enterprise system." These remarks reflect the views of those in business who, because of what they observed on some campuses, feel some educational institutions have let business down. On the other hand, it is important to assure that colleges and universities maintain the freedom of all members of the educational community—students and professors—to speak the truth as they see it and to criticize responsibly any part of our society as sharply as their best judgment requires. And there is a need for each side to have the freedom to be heard. That freedom, after all, is indispensable to the maintenance of our free society and the excellence of our educational system.

To assure a true partnership, business should encourage responsible openness and constructive criticism regarding its conduct. At the same time, college and university administrators can strengthen our partnership by providing the necessary framework for ensuring that faculty and students have an opportunity to understand business and the problems it faces. By doing so, the academic community can better offer constructive advice and assistance in finding solutions.

There are many avenues through which a company may participate positively in the affairs of a campus. Let me cite just a few.

Businessmen serve as trustees, advisers, consultants and in other voluntary roles. Such service provides significant benefits that are shared by both parties. Conversely, members of the academic world work within business—as directors, consultants and training specialists. More of this should be encouraged to strengthen practical interplay in specific disciplines and over-all understanding.

With encouragement from the academic world, business can expand programs of special seminars on campuses and of loaned executives to academic institutions for specific projects. More and more part-time work programs are being made available to provide experience and education "on the job" as part of more flexible college curricula.

Business and academic leadership should also jointly monitor and discourage legislation and judicial decisions which would tend to exercise excessive control over college operations and makeup. Of particular concern are the various proposals pending in Congress to amend the tax laws in ways that could have a very serious impact on private voluntary giving to colleges and universities. We should work cooperatively to ensure that damaging legislation is not passed, and work instead for tax laws to encourage greater giving.

Colleges and universities *are* vital to our society. Some graduates will be needed to lead, some to think and many to labor at the tasks of the future, and thus every kind of institution—universities, colleges, community schools and trade schools—is important. Our future is dependent to a high degree on our institutions of learning. We in business are very much aware of this fact.

In conclusion, several areas should be noted where the business-education partnership can become even stronger.

1. The business and the educational communities can continue to develop and improve new management techniques beneficial to each, especially in this era of inflation and increasing shortages of resources.
2. Both can benefit from developing improved techniques for investment of assets and for more efficient use of facilities.
3. Business and the educational community should strengthen and broaden programs for exchange to provide the practical input of experience in the classroom and to update business techniques on the job.
4. Executive loan interchange programs have been successful with several departments in federal and state governments. Should there not be a similar program between business and the administrative staffs of colleges and universities?
5. Business foundations might provide colleges and universities with computerized lists of employees who are alumni of the various institutions, with special encouragement for matching gifts.
6. Improved techniques for instruction and for measurement and evaluation of results would be of great benefit to both higher education and business. New self-teaching methods and aids could reduce staff requirements and costs. For colleges there may be the potential to use more student teachers, which would have the added benefit of expanding the development of such students.
7. Joint evaluation and leadership is required to prevent excessive legislative and judicial control of these two key elements of society.

Both educational institutions and business will continue to be influenced by all factors of our society. Working cooperatively, this partnership will provide new opportunities and an ongoing balance of responsibility and freedom which has been our great heritage.

Productivity in Higher Education—A Businessman's View

WILLIAM F. LEONARD

The subject of "Productivity in Higher Education" is not new to me or my associates in Olin. Eight years ago we helped to initiate, in concert with the Conference Board and the W.K. Kellogg Foundation, a program to provide research and clearing-house services to the academic community to help educational institutions of higher learning become more efficient and productive. The feasibility study which took over a year to complete and included interviews with over 100 college and university presidents produced enthusiasm for any assistance that might be forthcoming.

This preliminary work resulted in the eventual absorption of the research and dissemination of knowledge by the Academy for Educational Development, Inc. headed by Dr Alvin C. Eurich, a former president of the State University of New York and former acting president of Stanford University, who is widely known for his work in academic administration. The academy is a non-profit, tax-exempt planning organization which pioneered in the field of long-range planning for colleges, universities and state systems of higher education. It has conducted over 100 major studies for institutions throughout the country as well as for national agencies such as the U.S. Office of Education, the National Science Foundation, the Agency for International Development and the National Institutes of Health.

The academy's management division was established in 1970, under grants primarily from the W.K. Kellogg Foundation, to help college and university presidents and other officials improve the administration of the nation's institutions of higher learning. To achieve this purpose, the management division conducts research, publishes the results, and organizes conferences and professional development programs. The vice president and director of the division is Dr John D. Millett, former president of Miami University and chancellor emeritus of the Ohio Board of Regents.

The management division has already in its short history produced an impressive list of publications too numerous to list but I cite a few:

Higher Education with Fewer Teachers

Personnel Management in Higher Education

Guide to Professional Development Opportunities

Contributions of Business Management to Higher Education

319 Ways Colleges and Universities are Meeting the Financial Pinch

Financing Current Operations of American Higher Education

Putting Cooperation to Work

Advantages of Work-Study Plans

Survival Through Change

One copy of each study is sent free to the presidents of educational institutions across the country and additional copies are available for a nominal payment. The above list is arranged to show the most popular subjects according to requests made in the period from September 1972 to September 1973. Far out in front, with 3367 requests, was *Higher Education with Fewer Teachers*—obviously reflecting the desire of academic administrators for greater individual productivity.

Ranking fourth on the list was *Contributions of Business Management to Higher Education*, with 971 requests. This report is a summary of a week long seminar held by the Academy for Educational Development at Aspen, Colorado to discuss whether or not business management might have experience and wisdom to contribute to higher education management. About half of the group were persons who had at one time been presidents or administrators in colleges and universities and who now hold important positions in business management. The other half were persons who had been or are now administrative officers of higher education.

The report identifies five business management practices which appear to be common characteristics of the most successful enterprises. These are stated to be:

1. The careful definition of purpose by the business enterprise and rigorous selection of activities carefully calculated to contribute to the accomplishment of that purpose.

2. A periodic and highly critical review of all activities to determine in fact whether or not each is contributing to the accomplishment of the stated purpose. Activities found to be ineffective or unduly expensive are immediately pruned.

3. Continuous assessment of staff performance within the enterprise and re-assignment to other duties or early retirement for those persons found unable to perform at the expected level of competence.

4. A formal procedure for the careful consideration and development of new ideas and products and production processes which may contribute to the purpose of the enterprise.

5. An expectation that each individual in the management team, in middle management, and in the work-force will be loyal to the enterprise and will give it his or her best individual effort.

In business, management by objectives is not a mere slogan; it is a definite management commitment. When business management looks at higher education, there appears to be some confusion about the identification of program activities, and some reluctance to have programs carefully assessed in terms of their accomplishments, their cost and their effectiveness.

It is not unusual for business to discontinue a product line or service which is unprofitable. While there may be comparable examples in the academic community, the business observer gets the impression of a continuous desire to expand without proper investigation to determine the need and the means of meeting the cost.

Business management is engaged on a continuous basis in the evaluation of the job performance of individuals against the job specifications set up for each assigned task. Business recognizes it cannot tolerate sub-standard performance and still remain profitable and competitive. The make-up of the college or university organization is admittedly different and perhaps makes the application of similar standards more difficult but the problem merits serious consideration. One difficulty is that evaluation of job performance rests with faculty peers rather than with higher education management. The unpopular subject of tenure, unheard of in business, is another problem. It is generally recognized that the removal of a tenured professor, however unproductive he may be, is virtually impossible. We have no tenure in business; in fact, the higher one rises the more vulnerable his status. There is need for reassessment in these areas of personnel relations.

Today business management recognizes as a matter of highest priority the need to be alert to the possibility of new products and new production processes. Business hears a great deal about new services to be rendered by higher education, but most of the discussion represents increased costs. Every time a suggestion about service, technology or financing is presented, it seems to be the subject of widespread criticism by the academic community. Business management

therefore concludes that innovation is unwelcome in colleges and universities. Indeed, it is not unfair to say that, while faculty members are quite critical of other institutions, such as the competitive enterprise system, the family, the church, the military and the government generally, one seldom hears any corresponding criticism of the institution of higher learning. It appears that there is nothing wrong with higher education that more dollars would not cure.

In business, employees may have loyalties to professional disciplines, but generally their first loyalty is to the enterprise that provides them with a livelihood. Faculty members have been widely reported to be loyal to their discipline or professional field of study but generally little concerned about the welfare of the college or university which provides their environment of learning—and a living for them.

In discussions of the financial difficulties of higher education business managers are surprised by the reluctance of education officials to give careful attention to the whole subject of pricing. Business is by definition the sale of goods and services. The pricing of those goods and services is the single source of available income for a business enterprise.

Higher education management obtains its income from pricing (charges to students and others), philanthropy and government. There is extensive discussion about philanthropy and government as the sources of financial well-being for colleges, public and private. Business management seldom hears about any equal amount of attention to pricing policy.

In the current financial squeeze of higher education, two major responses are possible: (1) more efficient management which achieves economies in operation through the curtailment of activities or through an advance in productivity; (2) increased income. It is recognized that it is impossible to draw all instructional income from students, but certainly efforts should be made to provide proper balance between this income and that coming from government and philanthropy.

There is another area of productivity in education as it relates to students in particular. A 1973 report of the Carnegie Commission on Higher Education calls for more, and more varied, educational and training opportunities for a greater variety of citizens. The current system of postsecondary education in this country "puts too much pressure on too many young people to attend college whether they want to or not. It offers them too few alternative options. It is thus biased too

much toward academic subjects alone. It puts too much emphasis on continuation of education right after high school and then never again, rather than on learning throughout life."

The problem is compounded when one considers the imbalance between supply and demand. A U.S. Department of Labor report indicates that if institutions of higher learning in this country continue on their present course in the seventies there will be an oversupply of graduates for teaching in elementary and secondary schools. Specifically, there will be 4.1 million applicants for 2.4 million job openings. The country will require 20,000 new doctors each year but our educational system will only produce 8000. Twenty-seven per cent more architects will be required. 17,300 auto mechanics will be needed but only 12,000 will be produced. On the other hand, there will be an oversupply of both economists and historians. Each year, colleges and universities will produce 16,800 economists with bachelor degrees who will compete for an average of 2200 positions.

To consider this problem of productivity intelligently, we have to look first at the whole educational system. We hear more and more about career education. This is not a new name for vocational education but a new concept geared toward helping youngsters explore trades and professions, teaching them saleable skills and at the same time keeping the door open to further education. The implementation of this concept would help young people not going to college to make their way in the world and at the same time lead those best qualified to work in higher education.

A recent study by the American College Testing Service reports that more than three-fourths of the nation's high school juniors and nearly as many eighth- and ninth-graders would like help with career planning. A representative sample of more than 33,000 eighth-, ninth- and eleventh-graders were asked 267 questions, but the answers to this one were considered the most significant. More than 85 per cent of the eleventh-graders recognized that career planning must begin before the final year of high school but only fifty per cent felt their school had provided them with some help with career planning.

According to the projections of the U.S. Office of Education, majors in education, the humanities and the social sciences accounted for 583,000 of the 1973 crop of 926,000 bachelor's degrees. If you add up all the jobs in the Occupational Outlook which graduates in these fields could hope to claim, you get 356,000. If the new graduates secured all the openings there is a deficit of 227,000 jobs.

Where will they wind up? They can run the gamut from para-professional jobs such as computer programmers to salesmen, waiters, factory workers and construction workers. Many of them will go into "educationally upgraded" jobs—a nice way of saying that an employer may give preference to a college-graduate clerk. This process naturally penalizes the non-graduate and at the same time frustrates the college graduate who hoped for better things from a substantial investment of time and money.

Liberal arts has always been considered the purest form of education and its supporters have strongly defended it against more practical considerations. One need not abandon the concept that liberal arts is education for life as long as we agree that it should include preparation for work.

While the job market has made an appreciable recovery since the lean years of 1970-71, the liberal arts graduate is finding it difficult to participate in its recuperation. According to a recent salary survey of the College Placement Council, the "one discipline not sharing in general upswing is the humanities-social science category."

During recent years, liberal arts graduates have sought a place in the future in post-graduate education, where demand and rewards still were high. The notable example has been heavy law school enrolment. Here again, as in other graduate areas, the law profession has reached saturation point; last year's 10,000 law graduates were already too much for the profession to handle.

A federal task force on higher education estimated "that by 1977, every recognized profession will have an oversupply of new graduates." Even the perennial shortage of doctors will end by 1978, according to the Health, Education and Welfare Department.

I can cite two personal examples that may serve to illustrate some of my observations on career planning. I have two sons, aged 25 and 22. The older is a cum laude university graduate who pursued an English major because of his aptitude in that area and a lack of any other defined career program. After graduation, he went on to a leading law school, primarily because of the job market and a feeling that he should have more specialized training. Like many other young people, he shared the view that the law presented a good background for other careers than practice of the profession. In due course he concluded he did not have the aptitude for legal work. After a three-month search, he landed a public relations assignment with one of the major retail chains and is doing very well. A long history of varied summer work jobs helped him considerably. This is a fortunate outcome

when one considers the annual outpouring of about 70,000 English majors, including journalism, and with less than 5000 public relations slots available.

The younger son, aged 22, became successful by another route—by becoming an academic drop-out. By accident and good fortune he secured work several years ago with a housing contractor in one of the southern states in a non-union environment. Starting as a laborer, he has worked hard at improving his skills and to a high degree now acts as his own sub-contractor. He has been fortunate to have employers who have also been teachers and he now can read blueprints. There is nothing more exciting to him than the housing business and his plan is to be on his own in ten years.

Both of these cases ended well by hit and miss and good fortune, but how much simpler it would be for thousands of other young people if we had long range career planning tied in with the laws of supply and demand.

During the past two years, I have had interesting and enlightening exposure to higher education as a trustee of the University of New Haven, a private urban institution with a large student body, many of whom make substantial sacrifices to gain their education. They are practical-minded and so is the administration. There is a flexibility here that is productive for the institution and the students.

One example—admittedly an accident of fortune—relates to a successful executive who had made his mark in business and a bundle in Wall Street. He elected to take early retirement in his mid-fifties, but not just to live a leisurely existence which would bore him. He wanted to teach in a school of business, with no financial remuneration. I arranged for conferences with the administration and, while a teaching assignment was not possible, this fellow was given a royal invitation to promote any program activity and was offered the school's full cooperation. This has worked out extremely well for all concerned. An advisory committee that any university would be proud to have has been established, with participation by business leaders. One example will serve as an illustration: A substantial grant, obtained from the Union Carbide Corporation by this retired volunteer, established a products and concepts laboratory which will allow business students opportunities to conduct research and analysis of consumer preferences and behavior and to test consumer resistance to new products.

I would like to quote a few germane excerpts from an open letter to the student body of the University of New Haven by Dr Philip Kaplan who took office last year.

> . . . The University will start in September (1973) a Master of Business Administration program at Uniroyal's corporate headquarters in the Oxford-Woodbury area. Plans are underway to develop an interdisciplinary graduate program in environmental engineering.
>
> . . . New undergraduate programs in the school of business administration include communications, international business and finance, retailing and management.
>
> . . . The hallmark of an educated person is a critical mind in the sense of a capacity to test and challenge previous assumptions and new ideas.
>
> . . . The mission of an urban university is to provide professional training that will aid students to obtain rewarding and productive employment.
>
> . . . Other governing objectives and assumptions affecting changes in the curriculum will include greater sensitivity to the occupational training interests of students, and to occupational counselling and guidance as students seek to adjust to changing labor market conditions.

I might finally observe that the Olin Corporation, as the largest employer in the city of New Haven, Connecticut, has maintained close liaison with this institution for many years. There have been times when we have suggested courses and when our managers and other professional people have served as instructors.

Mention of the Union Carbide grant to the University of New Haven reminds me to comment on a subject that may not be too popular with any group of educators seeking money. David Packard, the well-known industrialist, public official and philanthropist, recently upheld the view in the press that money coming from the corporate community to education should be for some specific purposes and not take the form of a completely unrestricted grant. This stand brought all sorts of objections from academic administrators who felt this system would hamper financial administration.

Mr Packard's stand has substantial support in business, including the company I serve. One example may partially illustrate the rationale behind this position. A few years back the Olin Corporation Charitable Trust contemplated a six-figure grant to an $80 million development program of a major and well-known university. While this grant was being reviewed, a sociologist from this same university was advocating in the press the nationalization of basis business operations. We then asked the president of the institution for the list of items that made up the total campaign figure. We found an item in engineering requiring a grant of $250,000, and elected to fund that program. This was still an unrestricted grant with broad benefit, but we did not run the risk of money going into an area without specification that could militate against the competitive enterprise system. The expenditure of

corporate funds for educational grants must also be defensible to the shareowners from the standpoint of being used productively.

On the positive side, there is opportunity for the academic community to mine some gold it might not otherwise get by working with business in specialized programs. For example, close ties developed by the Olin college-relations function between Atlanta University and Georgia Tech resulted five years ago in the development of a dual degree program in engineering. This program engendered support totalling more than $1 million from more than twenty companies plus the Sloan Foundation. A similar one in the M.B.A. area was initiated last year between Xavier and Tulane Universities and is on the way to being equally successful.

Having included the students from the standpoint of productivity, let us get back now to the institution itself. Dr Eurich, whom I referred to earlier, has indicated that we can consider productivity in administration roughly as fifty-fifty: fifty per cent faculty and fifty per cent facilities.

Let us further consider the faculty situation as we would the managerial and professional staff of a company. If we assume that only those courses will exist that are productive from a personal and career development standpoint and are pulling their weight financially, what remains to promote greater productivity? The concept of "team teaching" is worthy of consideration. As you may know, this is a system where the most expensive professors are assigned to lectures. The second rank consists of preceptors who take students in groups of 30-35 to discuss lecture material informally. This idea is not new. Princeton University has used it for many years. The third group consists of tutors who provide assistance to students who need it.

It is encouraging to see activity being initiated at individual institutions to make teaching more productive. One example is the Center for the Improvement of Undergraduate Education at Cornell University. A few excerpts from the descriptive folder on the Center describe its mission well:

> . . . As faculty become increasingly concerned with improving their teaching and courses, they frequently turn to the Center for Improvement of Undergraduate Education for advice and direction: Has my project been tried before? Where can I get further information? How can I tell if my idea works?
>
> . . . Developing methods for evaluation of teaching and courses is a primary concern of the Center. The Center initiates or supports projects on the basis of both their applicability to the Cornell community and the possibilities of their successful transfer to other universities.

Going to the management of facilities, it bothers business to see expensive educational plants unused for about a third of the calendar year. There has been talk for many years of a trimester system but there still seems to be a desire to stick to the old tradition of two terms. It would seem that three terms could provide greater flexibility for students and faculty alike and promote maximum utilization of plant facilities.

An obvious major investment is the plant itself, which in some cases embraces a substantial hotel and restaurant business. With the trend toward students living off campus, how many empty dormitories are there that might be converted to more productive use rather than creating more facilities? There are competent specialists who can make a real contribution to efficiency in the food and housing areas.

Fortunately, there is a trend toward greater utility in new college and university buildings and without prostituting the architecture of the past, there is more building for purpose rather than pomp. As an example, I sat in on the deliberations relating to a new chemistry building at MIT during the past year and was impressed to see the architect recommend a sizable sub-basement for future expansion at a cost representing one-twelfth of the project—something that could not be done at a later date at any cost.

I invite your consideration of items in this area covered in the brochure *319 Ways Colleges and Universities are Meeting the Financial Pinch,* published by the management division of the Academy for Educational Development. Some of them may irritate you, others you may dismiss as trivial, but I think you will all agree that the concept of considering such items in detail is catalytic.

I hope my remarks will not be taken as overcritical. Certainly, we are far from perfect in business and we are open to ideas or suggestions from any quarter. There is a great interdependence between education and business—and therefore, the need to use our forces in cooperation in a wide variety of ways.

Liberal Education: Preparing Tomorrow's Business Executives

PETER A. BENOLIEL

In an interview conducted in 1961, A. Whitney Griswold, then president of Yale University stated, "Politics is not and never can be a science. The human race is not that logical or inert or controllable. Politics is an art, one that has been called the art of the possible. The best possible preparation for the practice of this art is, in my opinion, a good, sound liberal education, given relevance to world affairs by taking the world for its province as it ought to do anyway."[1]

I would submit that "business management" could be substituted for "politics" in the above statement, and its veracity would remain unaltered.

It is interesting to note that more recently, in an article entitled "Pluralism and Diversity in American Higher Education," Milton Schwebel, dean and professor at the graduate school of education, Rutgers University, contends, "One of the challenges to all our institutions is in planning educational experience that stirs the intelligence and imagination of students in those courses that are not simply the pathways to certification and income; that is, experience that hits home."[2]

The same thought is echoed again in the recent study by the Committee for Economic Development entitled "The Management and Financing of Colleges." Six general purposes of higher education are identified, the first of which is "Knowledge and the Stimulation of Learning." In expanding on this goal, it is stated "The primary function of a college or university undergraduate program is teaching-learning. It is the generation and dissemination of knowledge and the discipline of the intellect. It entails induction into the uses of reason, the cultivation of critical intelligence, and

the stimulation of a continuing desire to learn. The full development of the individual also requires the refinement of the moral and aesthetic sensitivities and the cultivation of a concern for human values."[3]

Each of the above statements reflects a concern which I wish to develop more fully in this paper. I would contend that they have relevance for any undergraduate student; however, for the purposes of this paper, I shall confine my purview to business management. Plain and simple, a liberal education, which I more fully define later, is the optimal vehicle in undergraduate years for preparing for a business management career. I speak not as an academician but rather as a practicing executive who contends daily with the many-faceted challenges of business, utilizing many of the techniques and disciplines taught in business schools.

The latter remark introduces a concept which I think we continue to lose sight of in assessing the role of educational institutions, namely, the distinction between education and training—a distinction that goes clear back to the Latin origins of the two words. The distinction is useful and important but we are apt to forget it in talking about the role of educational institutions. It appears to me that the great bulk of what is today called education is really training, whether it be in specific professional disciplines such as engineering, medicine and the law, or in more prosaic but no less necessary vocational training.

In no way do I wish to demean or minimize the importance of training or the role of educational institutions in providing it. My immediate point is that the majority of our students complete their undergraduate years under the misconception of being educated, when in reality they are undergoing sophisticated training. This brings me to my central point, which is that the undergraduate years of a student, especially if that student wishes a career in business management, would most profitably be spent *not* in taking business courses leading to a degree but rather in undergoing a liberal educational experience.

It then becomes incumbent upon me not only to define what I mean by a liberal education but to enumerate those qualities, characteristics and skills that may be necessary for a fulfilling career in business management. I must further make a distinction between those characteristics which for the most part are innate and those which are acquired. Understand, please, that in describing characteristics, I am thinking of those individuals who will rise above middle management ranks into the levels of top responsibility.

Necessary Innate Characteristics

1. High degree of intelligence—intellectual curiosity
2. Creativity
3. Goal orientation
4. High energy—drive
5. Leadership capabilities—interpersonal skills.

Acquired Characteristics

1. Problem solving—analytical skills
2. Synthesis capabilities—ability to relate seemingly disparate factors into a meaningful whole
3. Perspective—ability to maintain a balanced consideration of factors—an overview
4. Critical judgment—in part, a synthesis of the three preceding characteristics
5. Specific skills acquired through on-the-job training supplemented by formalized modes of instruction, including school courses, seminars, reading:

   Technical—Engineering, Scientific
   Financial
   Legal
   Marketing
   Manufacturing—Production
   Behavioral Sciences

The above is not an all-inclusive list, and there are areas where no sharp distinction can be made between those characteristics acquired and those innate. Further, it may legitimately be doubted whether the specific skills I have enumerated can be acquired on the basis suggested. I differ, and will endeavor to explain why by submitting my concept of a liberal education.

Let me begin by citing an article, "What Will Become of the Past?" by G. John Roush in *Daedalus* magazine. In speaking of the humanities, Roush cites two notions of tradition regarding their study: one the syncretic, the other the dialectical. The basic idea of the syncretic tradition is that truth is a "discoverable unity," much like the Platonic Ideas. Implicit in this approach to the humanities is that men through the ages have seen the truth in a manner that

is essentially either correct or incorrect. It seems to me that this approach to the teaching of the humanities has been the predominant one. The other, the dialectical tradition, "seeks out differences, plays with them, and demands that men make choices among them."[4] (Does this have a familiar ring to those of you in top management? Is not this one of your principal roles?)

Later, Roush contends that "we need to make room on all our faculties for doers as well as thinkers, and we need to devise ways to assimilate them. Such a faculty would engage its students in judging their environment and acting in it and on it. The resulting curriculum would appear problem-oriented, but the problems would be set by the students themselves, continually revised and refined as the result of a real dialectic, with teachers, with books, and with the world. The problems would certainly not all be 'contemporary' in the usual sense of the word, but they would reflect the concerns of living men."[5]

It should be no secret that I am a proponent of the dialectical approach to education. And now, what areas of concern should comprise a liberal education in my definition? Obviously, one cannot quantify it in a specific manner and be consistent with the spirit of the dialectical. However, there should be general areas of concern to which a student might be exposed, and with which the student should interact.

My ideal student would have exposure to the natural sciences, engineering and/or mathematics, with in-depth study in some specific area. This should comprise at least 25 per cent of a student's undergraduate activity. Such a student should also have an introductory exposure to the social sciences, and this area of activity might occupy as much as fifteen per cent of his time. The balance, and certainly no less than half of the student's activity, should be in the humanistic studies, with in-depth involvement in at least one area. I recognize that in any such educational process there are certain elements of training as distinct from education. In my experience, these can be minimal, and the emphasis should be on a Socratic, dialectical approach.

Hopefully, it is not necessary to paint the picture in full to see that such an educational experience is almost precisely designed to develop more fully the innate characteristics I previously cited as needful for a manager, as well as enabling that individual to acquire the aforementioned skills of analysis, synthesis, perception and critical judgment. To put it another way, I strongly contend

that such a program, designed as it is to expose a person to the achievements, scientific, technical, political, social, philosophical and artistic, of great minds past and present, will nurture the heart and mind of the student, so as to incite to fever pitch his curiosity, increase his ability to assimilate new ideas and skills, nurture and sensitize his spiritual, moral and aesthetic sensibilities, and promote the self-generation of perspective and overview. In short, develop the critical and analytical faculties without dulling that individual's vision.

Now it may be fairly asked how, in fact, such an individual with no specific skills is able to enter the job market. I would submit that, at entry level, any management or professional position (the law and medicine excepted) requires very little in the way of skills that such an individual would not have or could not readily acquire. I speak of positions ordinarily filled by newly graduated engineers, scientists and holders of degrees in business. An honest appraisal of starting positions would show that they demand very little in the way of technical knowledge that the individual would not already possess or could not acquire on the job, supplemented by study. I contend that merely to train an individual as a mechanical engineer, as a chemist, or in business is to unnecessarily narrow his vision, and possibly deny him broader horizons.

To be sure, many individuals, despite such training, go further, but why not provide the kind of educational experience that will enable more to do so? Griswold, in the aforementioned interview, stated that the original purpose of educational institutions was to provide a liberal education. He points out that "as American society grew in diversity and size, and in the variety of its enterprises, it put an ever-increasing demand upon all educational institutions to become service institutions, so that that part of the original purpose which was practical in conception, began to dominate the whole, and the majority of people that talk about education today talk about that aspect of it. Those who add to that recognition of liberal education as a preparation for life, as a way of improving your mind and your soul, making a better individual of yourself are in the minority."[6]

The above discussion does have clear implications regarding current attitudes, or if you will, the mind sets of the academic world and of business. I suggest consideration of the following ideas strongly implied by my views:

1. The undergraduate degree in business should be eliminated. It is not necessary and has little relevance to the individual's

intellectual and spiritual development, let alone what he or she will encounter in the business world. This does not mean that individual courses in finance, accounting, marketing and distribution should not be retained for individuals to take as electives, although my personal predilection is to avoid such courses in undergraduate years. This kind of material is easily assimilated later by a well-trained mind.

2. More extensive use should be made of cooperative programs which enable the student to leave the academic world for specific activities, work or research in the "real world." There need not always be a specific relationship between a student's academic program and his "co-op project."

3. The principal form of academic training for business should be the graduate M.B.A. programs offered by many institutions. I would submit that more relevant use of M.B.A. programs would be made by individuals who have had at least two year's experience in the business world. In other words, I am suggesting that no one be admitted to business school fresh out of college.

4. Greater use should be made by the world of business and industry of graduate business schools by allowing managers to take sabbaticals of one month to a year for attending graduate business courses.

5. Business and industry should not require that an individual have a degree in a specific skill in order to gain entry into a position. It should be a relatively simple matter, through testing and interviewing, to ascertain an individual's capabilities to adequately perform job entry positions. Adequate provision should be made by business to enable individuals to supplement their on-the-job training with specific courses in specific disciplines.

6. Business and industry is missing a valuable resource by requiring that all people have college degrees before being given consideration for management positions. There was a time when a college degree was not a requisite. Now, it has become tantamount to working papers. This is unfortunate. Individuals with energy, ambition and intellectual capabilities can and should be given all possible opportunities.

I realize the above suggestions may be greeted with a great deal of justifiable skepticism. I wish to emphasize that I am quite seri-

ous about the first three suggestions. The latter three carry with them many practical problems, not the least of which revolve around the resources of smaller companies, many of which do not have the managerial depth and financial capabilities to support the kind of programs suggested.

There has been a marked tendency among our brightest students to pursue careers in law, government and scientific research in preference to business management. In many cases, they do so with a mistaken view that business does not serve the noble purposes embodied in other callings. It is not the purpose of this paper to refute such a contention—except to suggest that well-managed business enterprises are crucial to the nation's and indeed the world's social, economic and political viability, and I say this in terms of the quality of human existence.

In today's world of international trade and the growing activities of the multinational enterprise, talented and committed business leaders are in increasing demand. How best to develop them? Robert Goheen, former president of Princeton University, remarked several years ago, "The true basis of a liberal education is its power to nourish a mind—its ability both to enliven and enlarge a man's conscious jurisdiction. It seems to draw out our potential for awareness, for rational understanding, and thus to extend our capacities for beneficent service, for responsible action, wherever we happen to find our chosen work."[7]

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[1]A. Whitney Griswold, "The University," Center for the Study of Democratic Institutions, 1961, p. 21

[2]Milton Schwebel, "Pluralism and Diversity in American Higher Education," *The Annals*, November 1972, p. 93

[3]"The Management and Financing of Colleges," Research and Policy Committee, Committee for Economic Development, October 1973, p. 19

[4]G. John Roush, "What Will Become of the Past," *Daedalus*, Summer 1969, p. 647

[5]Ibid., p. 652

[6]A. Whitney Griswold, op. cit., p. 3

[7]Robert Goheen, "Why Teacher-Scholars?" (Unpublished talk presented in April 1960, in Chicago and New York.)

Education of the Black Minority and Its Effect on the National Economy

LUTHER G. BELLINGER

I

Education and Motivation: The Master Key

I originally agreed to speak about "The Education of Minorities and the National Economy." But then, as I began to prepare my speech, I came to realize that the topic was too broad. So I am going to confine myself to the education of the *black* minority and its effect on the national economy. I am old enough to have lived through and participated in the great change that has taken place in black education and consequently, if some of my remarks are more personal than scholarly, I hope you will understand.

Let us start talking about black education by considering what forces motivate a youth to make good grades in high school and enter college.

It is my belief that, with proper guidance, Blacks and Non-Blacks alike who have innate ability and motivation will achieve their realistic goals. The key word here is "realistic."

When I was growing up in Blackville, South Carolina, it was fashionable for the teacher to select a few shining examples of Blacks who had achieved success despite the racial climate of the United States at that time—people like Ralph Bunche and George Washington Carver.

Frankly, I resented this approach because it ignored the real facts of life. At that time, the hope of attending any kind of college at all was just a distant dream for me. There was no way I could visualize myself receiving a Ph.D. degree from Harvard University as Dr Bunche had done. And as for Mr Carver, well, it seemed to me that with 300 peanut products to his credit, he had completely exhausted the possibilities for advancement in that field. I could not discount the achievements of these outstanding black models, but even then I recognized that the

more limited goals I had in mind had been obtained by only a tiny minority of Blacks. The great majority of us were still walking behind a plow or a broom or a mop.

Today's young Black is more fortunate. He has more heroes of his race to model himself after, like Jackie Robinson and Martin Luther King. More important, he has his cousin Jim, who finished four years at an engineering college and has just been hired as an aerodynamicist, and his older sister Shirley, who after two years in college, is an assistant buyer in a department store.

American society once told the black youth: "Get a good education because one day the doors are going to start opening to you and you want to be ready." But many of the Blacks who got that education found that the only doors that opened for them were those of the elevator they ended up operating. Now we can tell black youth: "The doors are open now, but like anyone else you still need that good education to get through them."

But that alone is not enough. Getting through four years of college involves a lot of hard work and sacrifices for most of us. The black youth, whose parents most likely did not attend college, needs additional motivation. My personal motivation came from a number of external and internal pressures, social, parental and economic, plus a basic desire to "get ahead."

Psychologists tell us there are three major forces which directly affect the future aspirations of black youth. They are:

1. *The Home.* Let us take a look into the black home from two vantage points. In some instances the child becomes motivated to go to school and attain high goals in education as a result of the former deprivation of his or her parents. That is to say, the parents may want the child to be saved from certain menial tasks which they performed, or the youth may vow to achieve a financial goal so that his mother won't have to mop anybody's floors but her own. On the other hand, the child may be motivated as a result of the high attainments of his or her parents. His motivation may stem from the fact that his mom and dad have been and still are high achievers.

2. *Peer Groups.* I believe it is safe to say that all children are influenced by their associates, and often those associates are day-to-day competitors. I must hasten to add that, as we cite these forces which affect the education of Blacks, many Non-Blacks will quickly associate them with experiences which have occurred in their own domain.

3. *Social Pressures.* Again, we relate this factor to an idea which has been purveyed to most minorities in the past, i.e., the greater the degree of educational equality, the greater the degree of social acceptance. In many instances we tend to prove the theory that like things attract like things and like behavior attracts like behavior. Of course, we must recognize that there are exceptions to this theory. But on the whole we tend to associate ourselves with people who have like interests and like degrees of accomplishment. For years, examples of social acceptance have been provided in the area of sports. While athletics remains a major mixing-pot for the races, there are today many, many other areas in which minorities have proven their capabilities that are equally significant.

In the area of sports, Blacks have gone from spectator to player, to coach, to manager and general manager. The same can be said of the banking industry: we have gone from clerk to teller, cashier, officer, vice president, president—in some instances major stockholder. In the field of industry, minorities have likewise registered significant achievements. And in politics one now finds it difficult to keep the score card on the number of black legislators on the local, state and national scene. All of these achievements can be related to motivation and education and the desire and preparation to obtain high goals and objectives.

Now, are we being successful in motivating black youths to attend college? The answer is "yes and no."

Since 1965, the earliest year that survey data on Blacks were available, there has been a notable increase in college attendance by Blacks. In 1965, ten per cent of young Blacks, 18-24 years old, were enrolled in college. In 1971, the figure had climbed to eighteen per cent.

That figure remains far below the non-black college enrolment rate. But here is a statistic that shows the great value that even the poorest Blacks are coming to place on a college education. Twelve per cent of the blacks enrolled in college in 1970 came from families whose incomes were under $3000, as compared with only about two per cent of the whites in a comparable group.

Gains have also been noted in the proportion of blacks completing high school. By 1971, about three-fifths of young black people were completing high school, and the drop-out rate fell from fourteen per cent in 1970 to eleven per cent in 1971.

So I think we can conclude that motivating the black youth toward a college education remains a problem, but we are gaining ground on it yearly.

II

The Black Student in America's Colleges Today.

Now that we have awakened the black youth's desire to attend college, let us take a look at where he is likely to go.

According to the latest information published by the National Alliance of Businessmen, there are ninety predominantly Negro colleges and universities. These ninety institutions have served and still serve as the main institutions which Blacks attend for collegiate training. They have provided that segment of our population with the basic fundamentals needed to attain certain goals and objectives in the field of education. I do not mean in any way to minimize the contribution of non-minority schools. They too provide an important avenue of advancement for minorities. But I cannot overemphasize the important role the ninety predominantly Negro colleges and universities have played. Many of these institutions have adopted the slogan "A mind is a terrible thing to waste," and believe me when I tell you that they put forth every effort to see to it that they salvage the mind of every child who enters their doors.

In 1970, less than half of the black undergraduate students were enrolled in institutions which were predominantly minority. But in the south, where the majority of the black colleges and students are located, 65 per cent of black undergraduate students still attend institutions which are predominantly black.

These figures do great credit to the administration and faculty of American colleges. Many have set up wonderful scholarships and programs to recruit and hold black students. But still the large majority of black high school students are not going on to college.

As you know, major employers in business and industry are required by federal directive to operate under affirmative action plans for hiring and upgrading minority workers, just as most of you operate under affirmative action plans for your staffs. Each year the employer and representatives of the federal government agree to minority hiring and upgrading goals. Nearly four years ago, my company, McDonnell Douglas Corporation, set up the first such affirmative action plan in the nation under the then new federal guidelines. Since then we have without fail met our annual goals to hire and promote minority engineers, draftsmen, administrators, clerks and so forth. This is not a token program. We have increased our minority employment in that period from 11.5 per cent to 14 per cent, despite a substantial reduction in our over-all employment level.

Contained in most of these plans are action-oriented programs, which often include programs designed to share with colleges specific employment needs and programs designed to help colleges produce graduates to meet specific employment needs. Also we make extensive college recruiting trips to find the many new employees that a corporation of 80,000 personnel requires. It is here that we often come upon shortages of minority college recruits in some disciplines.

I sometimes wish someone would set up a kind of affirmative action plan for college students to help assure an output of qualified minority applicants for the jobs we have available.

Many colleges are already doing an excellent job in this regard. Others, I believe, could do better. I find it especially galling to have my industry or my company criticized as being insensitive to the needs of Blacks by a representative of a college that has a miniscule minority enrolment.

American industry's business is manufacturing goods and providing services. We can train a riveter, but we cannot manufacture an engineer, a scientist, a lawyer or a Master of Business Administration. That is the job of colleges and universities. These are the people who will eventually hold the top positions in industry. The ranks of minorities possessing these titles will increase in industry only as rapidly as the colleges make them available to us.

In general, what kind of college graduate is industry seeking? We look for people who have the basic skills of English, mathematics, science and social studies. We are as happy with someone who has studied Swahili as with someone who has studied French. A knowledge of major black writers is great, as long as the student is also familiar with major writers of other races. A minor in so-called black studies is fine, but we might have trouble placing someone who majored in that subject.

Now what does black education have to do with the United States economy?

III

Black Education and its Effect on the National Economy

Black income is rising dramatically in the United States. Between 1960 and 1970 the number of better-paying jobs held by Blacks increased 72 per cent. The 1970 census showed that about one-fourth of the 4.8 million black families in the United States had annual in-

comes of $10,000 or more. This compares to fewer than one-tenth in 1960.

Economically, American Blacks now have what might be termed a "gross national product" exceeding that of many nation-states. Their economic power puts them ahead of countries like Australia, Sweden, Brazil and Spain.

Now which comes first, the chicken or the egg? Are black enrolments in college rising because Blacks' income is going up or is black income going up because more Blacks are graduating from college? Almost certainly we can conclude that it is the latter—especially when we recall those earlier statistics about the large numbers of Blacks in college from families with under $3000 incomes.

Again, American colleges deserve a great deal of credit for making scholarships available to needy students, and American industry and business deserves kudos for financing many other scholarships.

But looking at it another way, American colleges and industry are really acting in their own best interests. The growing number of black college students today, many of them supported by scholarships, will become the growing black middle class of tomorrow.

While many of them went to college at someone else's expense, they will be paying the way of their children, either through tuition or taxes. Thus you are tapping a rich new vein of prospective students of the future, just at a time when a declining birth rate places a big question mark over the future of many colleges.

The pay-off for American business is obvious also. The strength of the black consumer market has been exemplified by the high percentage of Blacks' total income that went for certain major household items. According to the Census Bureau data for 1971, for example, the average black expenditure for new cars was more than 75 per cent higher than that of Non-Blacks who had an income of $15,000. The demand by Blacks for most household items has increased astronomically since 1968. These items include such things as golf equipment, boats, watches, power lawn-mowers, color TVs, tape recorders and home freezers. One of the reasons given is that during the period 1960-1970 the proportion of Blacks owning homes increased about thirty per cent while that of Non-Blacks increased by only twenty per cent.

Then, too, we must take into account that, with income parity, many Blacks have now moved into what we call the affluent society. And being members of the affluent society, many Blacks are now buying various goods and services for the first time. We should note, however,

that those Blacks who have experienced higher incomes for longer periods of time have different buying habits than those of the newer members. For example, it is less likely to find a Black whose income has been high for a given period of time investing large sums of money in new cars.

This, of course, points to the fact that all Blacks do not share the same buying habits. Neither do they share, in many instances, the same preferences among goods and services. But they do insist that the key to success is motivation and education. Blacks have made a dynamic impact both in the field of education and as consumers. In the field of business and industry they are now able to enter into the higher job categories, given sufficient education and training.

Finally, we note that, whether one is minority or non-minority, we only ask "If you work for a man, in heaven's name work for him. If he pays you wages which supply you with bread and butter, work for him; speak well of him; stand by him and stand by the institution he represents. If put to a pinch, an ounce of loyalty is worth a pound of cleverness. If you must vilify, condemn and eternally disparage—resign your position and, when you are outside, damn to your heart's content, but as long as you are part of the institution, do not condemn it. If you do that, you are loosening the tendrils that are holding you to the institution, and at the first high wind that comes along, you will be uprooted and blown away, and probably you will never know the reason why."

Can Management Strategy Save the Private Sector?

DIRCK BARHYDT

The subject assigned to me both awes me and could seem confusing to me—the latter for three reasons:

First, one can consider the question, as worded, entirely within the sphere of interest in which you operate—educational institutions.

Or, one can consider the question, as worded, entirely within the sphere of interest in which I operate—capitalism.

Or, one can consider the question, as worded, to be in a combination of both spheres.

In fact, I hope to be able to demonstrate to you that both our spheres of interest, or worlds, are in the same universe and as such cannot be separated if either is to survive, much less continue to prosper and grow.

Perhaps, we can best get at the question by parsing it (I have saved that word for you since my freshman high school Latin course). The question seems to me to break into three parts.

Management Strategy. I think we can all agree that "strategy" means "long-range planning," but how about the qualifying adjective "management"? Do we mean "business management" or "college management" or both? They have differences and similarities in that:

1. Professional background experience for one is often quite different than for the other.
2. The primary products are quite different:

   a. In your case, providing your students with an improved intellectual curiosity, with the by-products, perhaps, of personal character, technical research capacity, and so forth;

   b. In our case, the product is principally added capital, with by-products, sometimes growth in employees' personal character,

intellectual curiosity, etc. (We seem, at first glance to have a greater similarity in by-products than in primary products.)

3. The unit of measure for success—

   a. In your case, the degree of increased intellectual awareness and curiosity achieved individually and collectively in as many of your charges as possible—which often takes years to measure;

   b. In our case, the amount of increased capital added, as measured in dollars—which can be recorded almost immediately.

4. The most obvious similarity, I suppose, is that we both live in a world of cash dollars and budgets, and with the same pressures on both—and, I suspect, the same agonies at "budget time."

Now, before continuing with our parsing, let us go back and comment on what I have said so far. I have noted a certain few of probably many similarities and dissimilarities between college management and business management. Please now note that business management is totally dependent on college management if it is to survive.

Business management requires an increasing flow of young people who are creative (i.e. have intellectual curiosity), and business management offers in total a wider range of outlets for creativity, in more diverse ways, for an individual than any other profession I can think of.

The successful business executive does not just take advice from his lawyer. He must understand what his lawyer is saying so that he can evaluate the alternatives and make the final decision. The successful business executive must understand the theory behind a new chemical process, or other technical development, so that he can evaluate its commercial possibilities and make the final decision. The successful business executive must understand new accounting techniques so that he can evaluate alternate uses of capital and make the final decisions. The successful business executive practices the art of logic, and most are creative at expressing themselves in writing and speech. The successful business executive must be a competent analyst of all these diverse skills and factors in order to weigh them together. And finally, the successful business executive must understand human frailties and strengths in a great measure, both to successfully market his products and ideas and to lead a team of people who usually have differing points of view to a common goal. Where else can an individual find such a diverse outlet for intellect?

Business management is dependent on college management for such future executives. Although few business executives start as exe-

cutives, the basic diverse intellectual ability usually comes from their formal or college education.

Now back to parsing our question:

The Private Sector. Again this can mean different things in your community than in mine.

Perhaps to you the private sector is that group of private colleges with little restraint on curriculum as compared with public institutions which are on a course of study ruled partially by governmental decree. Or perhaps it brings to mind other problems of competition with public universities, such as funding from private foundations, and alumni or alumnae giving, versus government appropriations with their encumbering restrictions. Perhaps in all instances the latter case means to you some limitation on the rapid advancement of new concepts in intellectual development.

To us in business, the private sector is that form of economic activity where creation of capital is the realistic goal, with success dependent upon individual creativity or expression. To be sure, the private sector is always somewhat encumbered by government regulations (though all regulations are not necessarily bad). For example, we have manufacturing companies such as mine in contrast with NASA, or private utility companies versus municipal utility companies (all of which engage in business activity).

In both instances (education and business) the distinction is not entirely clear in that there are many relative degrees of government encumbrance in both colleges and businesses. However, I believe a greater degree of diverse intellectual curiosity can be made manifest when there is a lesser degree of governmental regulation on either the college scene or the business scene.

This is not to be interpreted as meaning that we do not want laws. Our country was founded as a nation of law, and (although it has been a little hard to recognize at some levels during this past year) I trust we all believe it should continue to be a nation of law. Rather, I am talking about regulations written within the law—whether, as a public college you are prohibited from making available a new, worthwhile and timely course offering because of restrictions on the use of your funding, or whether we in business are prohibited from bringing forth, for example, CATV in a community because of the political vagaries of bureaucratic regulation. There is in each case too little regard to the commercial or intellectual needs and values of the people each group serves.

It seems to me that in trying to define "private sector" for our two worlds, we find the converse of our concluding notation in defining "management strategy," but primarily for the same reason. Namely, despite similarities and dissimilarities, the colleges are extremely dependent on business to gain as much independence from government regulation as possible. On the surface, you might think that I say this because I favor private funding resulting from a healthy economy rather than dependence on government funding—a fact which is certainly important, but not the paramount reason.

The more important reason relates to the last two words of the question we are parsing.

Can save. We see today an increasing number of our young people electing courses of action or careers which do not challenge their mental capabilities, thereby robbing this nation of the creativity which they might provide. It is not only your responsibility to increase intellectual curiosity among our young people but also to leave them with a sense of doing something creative with their intellect for our society. As noted before, business offers these challenges, and I believe the colleges need help in directing their young people into this challenge, the young people whom, in turn, we both must count on to save the private sector.

I will not go into a discussion here and now on why our young people quit college, decline to enter a contributing career, go live on a mountain, hitch-hike for a career, etc. And I have nothing against those selections *per se*. I merely note the problem of affluence, which seems to be destroying profit motivation—a motivation which we are not replacing. Let it suffice to say that this waste of talent which the country needs in order to survive occurs to a greater extent today than it did, say, twenty years ago. With an expanded economy and all its problems, we need those people who can contribute even more today.

I would like to summarize what I consider to be the single most important aspect of what I have noted thus far. Whether we are considering management strategy for college or for business, and whether we are considering the private sector as college or as business, there is a great interdependence between the two—namely, that business needs more young people of creative intellectual ability and colleges need more stimulating and attractive goals to which to direct their talented young people. Our mutual success in putting this creative young talent together with this need for creativity can save the private sector, and also provide more funding for independence in colleges, and more responsible business action for greater independence from

poorly considered regulation. Now, can management strategy on both our parts stimulate these exciting challenges for our young people?

Clearly, we can get the most improvement by working together, since the goal is mutual.

First, let us look at some facets of the thinking of today's young people.

1. They are more sympathetic than earlier generations toward less fortunate people.
2. Many more of them and from more diverse backgrounds than ever before can obtain education and intellectual stimulation at colleges and universities.
3. They form earlier in life some very strong (often poorly based) opinions about their environment which are difficult to shake (or which cannot be shaken without adverse emotional effects).
4. They are not as inclined to follow the examples or desires of their parents, or perhaps any older adults.
5. Few of them really understand that the creation of capital benefits all mankind, not just the executive, or even more importantly what the creation of capital is. (It is confused with personal profit.)
6. Fewer still recognize that the businessman in America has a greater direct effect on the fortunes of more of the less fortunate people in this country than any other profession.

Against that background we have to get the following message to them. "We the colleges will start stimulating you, we the businessmen will keep stimulating you, for as long and as far as you want to and can go—for the good of mankind and our environment."

Some further thoughts come to mind.

1. Introduce into your history and sociology or other appropriate courses, not just economics courses, a greater emphasis on the place of capital creation in our society, and for the society, and how it has really worked and can work—not just for the business leader but with an especial emphasis on what it has done and can do for all people in our society.

2. When talking to students about the unpleasant aspects of business (i.e. the ITT affair, the milk scandal, etc.) be objective and point out that these are isolated incidents. I fear a non-objective approach

on this subject by some political science teachers and others. And I am sad that the personal profit motivation of a few businessmen has overshadowed the diverse business objectives of the many.

3. Point out that a greater number of business representatives donate their services on hospital boards, school and college boards, etc. than any other profession. At least that is my experience in Waterbury, Connecticut.

4. Emphasize the intellectual RESPONSIBILITY of the business man.

5. And finally, invite eloquent but understanding and realistic business leaders to come and talk to both students and faculty, particularly on the subject of the high and diverse degree of intellectual stimulation required in and provided by business, which is in almost all cases handled with a very high level of morality.

This can be part of our management strategy and it can be a start to saving our private sector to everyone's benefit.

Implications of Statewide Planning and Coordination

WATTS HILL, JR

It is always dangerous to generalize—never more so than with statewide planning and coordination. Unfortunately, generalization is sometimes unavoidable (as in this instance) when it will be used primarily to separate the essential from the less essential areas under consideration.

Statewide coordination will take place. The question is whether it will be imposed at the state or the federal level, or whether it will result naturally from the operation of market forces, i.e., whether the pressures of supply and demand will bring about coordination. Coordination now takes place to some extent at all three levels. Today we see coordination taking place primarily at the state level, but there is no guarantee that it will continue to do so in the future. To the contrary, there is strong evidence to indicate that market forces will play the key role in future coordination.

The problems that seem constantly to plague statewide coordination may be due in considerable measure to a tendency for state coordinating agencies to ignore or attempt to oppose market forces. The anguish over cost-induced tuition increases is one example. "Uniform" tenure policies is another. One possibility is that, in an attempt to solve these problems, state coordinating agencies will try to completely seal off educational policies from market forces. (Whether or not the policymakers explicitly realize that that is what they are doing is another question.) Attempts to ignore or oppose market forces will be characterized by temporary successes—ones which carry within themselves the seeds of their own reversals. They will also result in what bureaucratic phrasemakers like to call "interesting times."

An alternative response to the problems which face statewide coordinating agencies would be to take explicit account of market forces and permit them to assist in solving problems. Perhaps this is too much to expect at this time.

The Basis of State Coordination

If the question of coordination at the federal level and by the market may be put aside for later consideration, attention can be given to coordination at the state level. Today the prime emphasis on coordination is usually found at the state level. Four types are familiar.

First is *voluntary coordination* by institutions; i.e., there is no state agency charged with the coordination responsibility. This is possible in only a few sparsely populated states with few educational institutions, most of which are public institutions. This approach is generally ineffective. In reality, coordination is imposed indirectly through state appropriations.

Second, there are *state planning and coordinating agencies.* By definition, coordinating agencies lack control over budget making and institutional budgets. Most statewide planning and coordination is attempted by such agencies. Often their efforts reflect a legislative outlook, i.e., they tend to give the public interest primacy on those occasions when public interests conflict with institutional interests. They generally are not very effective because they lack the power to enforce coordination.

The third approach is the *statewide governing board* which has the power to plan and coordinate. Statewide boards of control are increasing in number. Generally they already are or soon will become institutionally controlled and oriented.

Finally, there is direct *legislative coordination.* In the absence of effective coordination elsewhere, legislatures are forced to assume the role of coordinator (consciously or unconsciously) when making appropriations to individual institutions.

There are notable exceptions, but these generalizations at least illustrate the range of possibilities in statewide coordination.

The implications of each type of coordination at the state level are very different for different sectors of the educational community. For example, the typical state planning and coordinating agency which lacks budget control (and thus any real power) is likely to generate planning recommendations which are viewed by the public institutions as being a threat, i.e., as invasions of their autonomy. On the other hand, the nonpublic sector is likely to find support from such agencies—even though it may be of limited effectiveness—in that coordinating agencies often seek to find ways for a state to take advantage of unused space in private institutions. However, since these agencies typically lack

sufficient power or influence to implement their recommendations in the face of strong opposition from the public sector, their concern over the private sector usually has limited practical benefits.

By contrast, the statewide governing board (which by definition has planning and coordinating responsibilities plus control over the budget) has the power to implement its recommendations. It seldom has the orientation to do so. Few take a systemwide viewpoint, at least not toward a system which includes nonpublic as well as public institutions. Realizing the potential influence and power of such statewide governing boards, the public institutions, especially the prestigious public universities, seek to gain control over them. Usually they are successful. As a result, it is rare for statewide governing boards to make recommendations which are likely to increase the ability of the nonpublic institutions to compete with the public sector. Such boards are understandably loath to recommend financial support for nonpublic institutions or students attending them. The tendency is for statewide governing boards to be spokesmen for the interests of the public institutions even when those interests may be seen by others to conflict with the public interest.[1]

Having made these generalizations—and many more could be made—the real question is whether there is much to be gained by a detailed review of the implications of each type of state-level coordination of public, private and proprietary institutions. It is suggested that further generalization may be counterproductive, i.e., may lead to conclusions which, though they may be accurate when averaged across large numbers of states and institutions, are grossly inaccurate in respect to how a specific policy in a specific state affects a specific institution. To put it another way, only an examination of particular cases in their own unique environment is likely to be productive of good public policy. This is because state coordinating boards and their general situations are sufficiently homogeneous that it is the *differences* in the problems they face that are of policy interest.

What appears to hold greater promise is an examination of planning and coordination at the federal level, and coordination by market forces.

Federal Coordination

Federal planning and coordination has great impact due to the leverage inherent in federal funds. In fact the leverage is far greater than the proportion of the education bill paid at the federal level. The federal impact, nevertheless, is smaller than it might be, because it is na-

tional policy to minimize federal direction of statewide or institutional planning and coordination inasmuch as there is a growing trend toward directing federal funds to students (as in the Basic Opportunity Grant) and/or through state coordinating boards (as in the "1202 commissions" legislation). The basic federal posture is to encourage effective state planning and coordination and, whether intentionally or not, to enable market forces to play a larger role in coordination than at present.

There are other views of the federal posture which conflict with this view.

Changes in Financing Patterns

Before examining planning and coordination based on market forces, it is first necessary to explore those changes in the pattern of financing postsecondary education which are likely to make market forces a significant if not the dominant factor in the near future. The first and most significant change in the financing pattern may well be the shift in legislative attitudes relating to who should pay for postsecondary education. In the past the concept has been that the public benefit from education is so great that past student generations should be taxed to pay significant portions of the postsecondary education costs of students (provided, of course, that they attend public institutions). Current research has raised great doubts as to the extent of public benefit—doubt as to who really pays the bill and who really benefits. Whether the existing approach is equitable or effective in achieving national goals is in doubt. Moreover, as holders of undergraduate and graduate degrees find that they are not commanding the salaries they expected, considerable doubt is also being raised as to whether the *private* benefits of a college education are equal to the costs, even after any subsidy is deducted.

This marked decrease in the high value formerly placed on the public and private benefits of a college education, coupled with increased demand for more emphasis on vocational education, noneducational pressures for tax dollars, decreasing demand for college admission, and a myriad of other factors, have caused the old question to be asked again with increasing frequency: "Who should pay for a postsecondary education—the student or society?" The answer being given today is increasingly weighted toward the student and away from society—at least in terms of the percentage distribution of costs.

The most obvious example of this trend is the great increase in federal and federally-subsidized loans to postsecondary students in the

past decade. The current "hot" behind-the-scenes topic of discussion, income contingent loans, is one consequence of efforts to make the ever-increasing financial burden being placed on students more equitable (and more acceptable).

Greater acceptability of loans lowers pressures for non-repayable grants for the student requiring financial assistance—and means that a greater proportion of the cost of education will be borne by the student instead of society.

The desirability of this trend is not at issue here. What is important is to recognize that it is a trend and that we must come to grips with its implications.

A second fundamental change in financing patterns grows out of the first change. It is the trend to finance students on the basis of need rather than to finance institutions on the basis of numbers.[2] Most noticeable at the federal level, it is now being given serious discussion at the state level. The shorthand statement is "aid to students" rather than "aid to institutions."

Consider the implications of such a policy change. Where implemented, it means that public institutions have to raise their tuitions to offset revenues lost when tax dollars are redirected to aid to students. These tuition increases do not reflect changes in instructional costs but rather changes in the route through which public monies arrive at institutions. (We might call such tuition increases "revenue-induced" to distinguish them from the "cost-induced" tuition increases mentioned earlier.) Even if faculty salaries and other cost components of postsecondary education were to remain unchanged, there is considerable scope for revenue-induced tuition increases.

Such tuition increases will require more student aid. And to the extent that student aid is given directly to the student rather than indirectly via an institution—i.e., to the extent that aid follows the student, not the institution—the effect of students' choices on the institutions is greatly increased. By the same token, to the extent that tuition increases at public institutions narrow the tuition differential between public and private institutions, the private sector's financial plight is greatly reduced. The private institution's ability to compete in the marketplace is greatly enhanced.

There are other significant trends which point to planning and coordination in the future based increasingly on market forces. But statewide planning is far from ended in the short term. Which will come to

dominate in the long term—statewide planning and coordination or market coordination—is far from decided.

The Short-Term Strengthening of Statewide Coordination

The importance of statewide planning and coordination appears destined to increase—at least in the short term. While a trend is not yet well established, there is some evidence that an increasing number of state legislatures will move to strengthen state planning and coordination by turning state coordinating agencies into governing boards. Likewise, there is much evidence that these strengthened boards will be charged with broader responsibilities than at present. Their responsibilities are most likely to be extended to include the planning and coordination of state tax resources directed to private colleges and to financial assistance to state residents attending private institutions.

If funding for the 1202 commissions called for in the federal Education Amendments of 1972 is provided, states will be required to consolidate statewide planning and coordination into one agency for all types of postsecondary education—public, private and proprietary—in order to gain access to certain federal funds. In addition to the 1202 commissions, there are other coordinating efforts now authorized but as yet unfunded, such as incentives to states for comprehensive student financial aid programs and education opportunity information centers. Whether they will come into being seems to hinge largely upon who wins the behind-the-scenes struggle between the public colleges and universities and the state legislators.

The public colleges do not want strong statewide planning and coordination agencies unless they can control them, while state legislators increasingly insist that there must be statewide planning and coordination which includes consideration of the private sector. The public educational institutions have won the battle to date. Whether they will win their way in the future remains to be seen.

Such wars can always be won by legislative forces if they choose, for they control appropriations. Indeed the ultimate power over all public institutions lies in the hands of legislators in both a political and an economic sense. Indirectly, this is often true for nonpublic institutions as well, since what the public sector does can determine the fate of the private sector. Whether legislators will strengthen statewide planning and coordination in the near term (or move more toward market coordination) is largely dependent on how well postsecondary education and state coordinators work together to resolve educational problems in the years immediately ahead. If problems such as the financial plight

of private colleges, decreases in demand for college education, inadequate student aid, proliferation of degree programs and faculty unionization are not significantly reduced, it is likely that statewide planning and coordinating agencies will be given increased power over the mission, program and budget of public and private institutions. Such a trend seems well established, at least for the years immediately ahead.

If, in turn, the strengthened agency which has become a board of control then fails to succeed in significantly reducing some of these problems (and most are difficult if not impossible to solve within the existing financing scheme and political climate), state legislatures and the Congress may choose not to continue the statewide agency approach. Instead they may select from among several relatively radical alternatives related primarily to financing.

Two of these radical alternatives fall in the "never-never-land" category. One is full funding of the costs of postsecondary education, i.e., free education. There appears no chance of this being adopted. It is politically and economically unrealistic even when confined to the elimination of tuition charges. Moreover, this approach would bankrupt the private sector.

At the other extreme is full-cost tuition without a fully funded student aid program. This is equally unacceptable on social, economic and political grounds.

What is most probable is an approach which combines significant increases in tuition at public schools with a redirection of the governmental revenues formerly going into tuition subsidies to grants to students based on need. When combined with increased loans to students, this approach would permit elimination of the economic barriers to postsecondary education immediately. Current research indicates this can be done without any additional tax dollars being required.[3]

Such an alternative to the present financial pattern has many apparent advantages—and poses many threats to the status quo. Among them are:

—the cost differential between public and nonpublic institutions would be greatly narrowed. (This is seen as desirable by the private sector—and as an anathema by the public.)

—increased competition for students between the public and the nonpublic sector (as a result of more equal charges to students) would increase cost-effective utilization of education resources. (For example, increased enrolments in private institutions might

be expected which, in turn, would reduce the need for expansion in the public sector, at significant savings to the taxpayer. There is no need to spell out who would favor and who oppose such a result.)

—enrolments in postsecondary education would increase due to the elimination of economic barriers. (Both sectors should support this result.)

—access to postsecondary education for all would be based on criteria other than ability to pay, i.e., on the suitability of the institution to the student and vice versa. (Some institutions would deplore the effect on them if it were negative, as it would be in a number of instances.)

There are many other claimed advantages which the increasing body of research appears to support. Perhaps there is no better indicator that the research results are telling than the recent attacks by virtually all the national educational associations representing state colleges and universities on the reports of the Committee for Economic Development, the Carnegie Commission and the College Entrance Examination Board, all of which, directly or indirectly, call for significant tuition increases at public institutions, aid to private institutions and fully funded student financial aid.[4]

It is not the purpose of this paper to debate the desirability of increasing tuition at public institutions in order to fully fund a combined grant/loan student aid program which would eliminate economic barriers to postsecondary education. But it is necessary to recognize the attractiveness of the concept to state legislatures and the Congress. Especially is this true if such a financing approach would require no increase in tax dollars.

The point to be made here is that there are alternatives available to legislative bodies other than greater centralization in statewide planning and coordinating agencies or a return to the near anarchy of independent budgets for each public institution, i.e., where the legislature, not the coordinating agency, does the coordinating.

Market-Directed Coordination and Innovation

There is a third alternative to statewide coordination or anarchy, the one described previously, which would let natural market forces do the coordinating. An approach to financing postsecondary education which incorporated near full-cost tuition and full funding of student financial aid needs would permit supply and demand to impact on stu-

dents and, through them, impact on institutions. If a student were assured of access to the requisite financing, and the costs to students were comparable for comparable programs at public and nonpublic institutions, the student's choice of institution would be based on whether the program offered met his perceived needs and whether he could gain admission. Those institutions which were attractive to students would prosper. Those which were not would either have to modify their programs or face closing their doors.

This alternative would make all institutions subject to market forces and would not require legislative or agency-directed statewide planning and coordination. *This is the key point of this paper.* In effect, there would be national coordination by the market in that, if tuition more nearly reflected true costs, public institutions would not be bound by artificial barriers, such as in-state and out-of-state tuition, which reduce the pool of students from which they might draw. Likewise, fully funded student aid would increase the size of the national pool from which enrolment could be drawn for both public and nonpublic institutions.

The point being made here is that national manpower requirements are reflected in the pay available to persons with various skills. In turn, the supply of persons with the desired skills would be related to the cost of obtaining those skills rather than related primarily to today's artificially low charges at public institutions which seldom bear any relationship to true costs.

To illustrate, there is a shortage of doctors largely because the cost of educating a doctor is so great that society has not been willing to expand the spaces in medical schools to meet the demand. Charging near full cost, and providing all the financial aid required, would give the medical schools access to the revenues required to permit them to expand enrolments until the supply of doctors increased to the point where demand was satisfied. In similar fashion, if permitted to, the market would coordinate educational opportunities not just for doctors but for teachers and all other disciplines and professions as well. Research might well continue at state and national levels on manpower requirement projections and other information requisite to a planning base. But each institution would be as autonomous as the market would permit, i.e., it would have to plan how best to secure for itself a share of the market.

Many additional illustrations could be given to support the contention that market forces, if permitted to operate with much greater freedom than today, might well eliminate both the need and the possibility

of statewide planning and coordination.

Current trends—narrowing the tuition gap between public and private institutions, student aid increasingly based on need, increasing amounts of student aid,[5] increased emphasis on aid to students rather than institutions, cutbacks in federal support at the graduate level, congressionally funded studies to determine the true cost of education, studies of alternative approaches to funding postsecondary education—all these point to the selection of new approaches to financing postsecondary education in which market forces will provide the coordination rather than statewide planning and coordinating bodies.

Accompanying these new financing approaches, the direction of which is clear, even if the specific approaches to be selected are not, would be two radical changes. First, the student, not society, would ultimately bear a greatly increased portion of the cost of his postsecondary education—although the bulk of these costs might be deferred through use of loans as a financing vehicle. Second, the education system would be transformed from one which operated in large part without effective planning and coordination to one which would be planned and coordinated by the market.

The Basic Choices

There appear to be two basic choices facing postsecondary education today. Neither permits retention of the status quo.

The first is to make statewide planning and coordination work so well as to obviate the necessity of changing the present financing system. This alternative would least disturb the present system. Given the history of opposition by the public sector to effective statewide coordination which gives primacy to the public interest when it conflicts with institutional interests, the probabilities of this alternative being selected appears small. Given the current trends, the time may already have passed when this option was open.

The second option is to let the marketplace do the coordination. This approach would greatly disturb the public sector, for it would lose its competitive price advantage. It could cause profound changes in postsecondary education, both public and nonpublic, not all of which would ultimately prove to have been desirable. Near full-cost tuition, with the accompaniment of full or near full funding of student financial aid requirements, seems the clear direction in which the pattern of financing postsecondary education is moving. The nonpublic sector, the taxpayer and the student stand to benefit from this trend.

These are some of the most important implications of statewide planning and coordination. They have received little public attention in the past. They will be in the forefront tomorrow. And well they should be.

Challenges and Opportunities

The outcome is as yet unclear. If this nation is indeed in the process of moving to market coordination of postsecondary education, to pricing education so as to reflect true cost, to financing students rather than institutions, then postsecondary education is in for greater change than it has ever known. To some, such change will be a threat. To others, change will mean new opportunities. The choice both public and nonpublic sectors must make when reviewing the potential impact of the coming changes is "Will we be so traumatized by the perceived threats that we are unable to grasp the real opportunities?" To permit this to happen would be tragic.

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[1]Is it in the public interest to expand spaces in public institutions when there are empty spaces in comparable nonpublic institutions available at lower cost to the taxpayers?

[2]States typically finance institutions by numbers of students with little or no regard for the socio-economic status of the students. "Equal treatment" too often means equal dollars even where need is unequal.

[3]See #8 and #9 in attached bibliography.

[4]See #8 and #9 in attached bibliography.

[5]Current loan decreases are temporary and unintended.

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Modernizing the Liberal Arts: A View from Industry

JAMES A. JOSEPH

With critics on every corner, the university is in desperate need of friends. To ensure that my own allegiances are placed in proper perspective at the very outset, I want to begin by restating what the Hebrew prophets and Greek philosophers knew so well. The effective critic must also be a servant while the committed servant must also be a critic. My relationship to the university, therefore, has always been one of servant-critic.

It is not possible to talk about modernizing the liberal arts to meet the demands of the eighties without first looking at several of the key challenges which will influence education in the next two decades of the twentieth century. The first of these is what social analysts are beginning to call the loss of American independence.

One of the really significant movements of the last three centuries of world history has been the accelerated development of independent nation states. Despite the technological advances in communication which seem to be making our world a global village, the pursuit of national independence has continued without significant interruption. The nation-state has provided the capacity for self-assertion, the resource for dignity and a shared sense of community.

But suddenly, this is beginning to change. The United States, which has enjoyed a greater degree of national independence than most nations, stands out as an example of what is happening.

It is now reliably predicted that by 1985 we will be importing well over half of our petroleum and will be primarily dependent on imports for nine of the thirteen basic minerals required by a modern industrial economy. We are being told that "sometime in the next ten to fifteen years we will make the transition from an essentially self-sufficient country to—at least in terms of raw material—a dependent country."

The End of An Era

We who have so long thought of ourselves as a "have" nation in a

world of "have-nots," must now face the economic, social, political and educational consequences of becoming a "have-not." We who make up six per cent of the world's people must now face the consequences of consuming one-third of the world's resources. We who have often been arrogant in our obsession with nationalism must now learn to think transnationally. We who, as a predominantly white nation, have been preoccupied with Europe must now show respect for the black and brown peoples of Africa and Asia who are sitting on the petroleum and selective minerals we need. In short, we have come to the end of an era. Our affluence and technology will no longer buy us pre-eminence in the world. We must now learn to live as co-equals.

The trauma of this forced awareness of the world's interdependence is the result of many factors, but our colleges and universities must certainly accept their share of the blame. It is only recently that they have begun to reflect the diversity of our own national heritage, not to mention the increasing diversity of people outside our boundaries who were ultimately to influence our destiny. When we spoke in the 1960s of an urban and later an environmental crisis we were talking about national solutions. The crises of the seventies do not lend themselves to national solutions. For the United States this means rethinking the way in which we relate to the rest of the world. For the educational institution it means far more than modernizing the liberal arts in some abstract sense. Someone must now grapple with the question "what does it mean to be an educational institution in an era of increasing interdependence across national boundaries?"

But we will have trouble dealing with this question because we have not yet dealt effectively with defining the nature and purpose of the nation-state. The American people have not yet decided whether the essence of the state is power or authority; should government be primarily a power dispenser or a service agency?

It is ironic that many of those who have had a paranoid fear of socialism are the very people who have ended up fulfilling the predictions of Karl Marx. They have used politics both as an organized machinery for the oppression of the underclass and as an excuse for the repression of those who dare to oppose them.

The choices before us are almost like choosing between Karl Marx and Max Weber. But our problem is not so much the existence of a pervasive dualism in the intellectual tradition as it is the selection of an appropriate balance which will operationalize normative standards of conduct, both here at home and abroad.

The Neo-Vocationalism

When one turns specifically to the university it becomes clear that one of the most critical challenges to modernizing the liberal arts comes from the neo-vocationalism now in vogue. Report after report points out how much the mood of university students has changed—a mood which is reinforced by a society grown weary of social critics and reformers. Let us look at some of the reasons for the new vocationalism.

1. *A conservative approach to tranquillity.* Many people believe that the campuses will be calm if the students will only see education as primarily preparation for useful work. They are, therefore, satisfied with the increasing emphasis on acquiring a marketable skill.

2. *A radical approach to utilitarianism.* The slogan is "join the system in order to transform it." Some students are arguing that they need to learn how the system works in order to overthrow it. This is an increasing view of black students in predominantly white colleges. It is a view based on the practical utility of knowledge in developing social change sub-systems.

3. *A new version of relevance.* The new vocationalism represents, for some students, a shift from a preoccupation with making society better to an individualistic concern with building a personal future.

4. *The new desire for certitude.* There is a sense of certitude and assurance which comes from identification with a specific profession. Some students are therefore responding to changing boundaries and the sense of transience with a drive for certitude, fixity and the feeling of permanence which comes with a fixed career. But they train for single competencies rather than learning how to learn—failing to see that the very idea of certitude is a myth.

5. *A reaction to the perceived impotence of the liberal arts.* The emphasis on a narrow specialty has led some students to look for a more humanistic and humanizing education. In the past, the liberal arts often produced the certified expert who, while he had no vocational skills, assumed a monopoly on some aspect of classic truth. In addition, the emphasis on problem-identification rather than problem-solution brought students to a new consciousness about the world's evils but they were unable to contribute to their eradication.

Another major problem confronting efforts to modernize the liberal arts is the uncertainty about the appropriate content of truth. What truth is to be passed on and what is to be discarded? In short, what is worth teaching? Is education a joint enterprise involving participatory

learning between senior and junior scholars or is it the vehicle for transmitting parochial values and cultural assumptions by those who assume a knowledge monopoly?

Peter Schrag is fond of saying that "when the university and its scholars lost its monopoly as disseminators of news and ideas, their halo began to tarnish. What training and the Bible did to the church, mass media did to the university." Other critics have asked, "What do the professors know that isn't accessible to anyone who can travel, read, turn on the tube?" This problem was particularly evident in the late sixties. Political science professors tried to tell their students about civil liberties, habeas corpus, search and seizure but the students said, "No, that's not the way it was in Selma, at the Pentagon, or in Chicago."

Even if you were with it—as some of us thought we were—and taught a course on nonviolence or the history of slavery in the Western Hemisphere, these subjects took on a special kind of realism for those students who had personally traced the footsteps of runaway slaves in the caves of Jamaica or examined the dungeons on the shores of West Africa.

So the monopoly on the part of the professor and the mystique about how one learns are both gone. Yet the crisis of content in education is even deeper than that. The Renaissance emphasis on reason and the excessive dependence on man's mind—a sense not only that the world was knowable but that men needed only to be introduced to the best ideas of the past—has led to a neglect of an essential part of man. We have been far too interested in the development of competence in isolation and not enough in the development of compassion. We have been so preoccupied with what a man knows that we have neglected how he feels. So, many people are unable to cope with the present reality where computers do the reasoning while human beings feel.

It is no surprise that students are talking about communal relationships and self-consciousness. While some of the more romantic have flipped back to sixth-century mysticism, some of the others are dabbling in a more modernized version. Modernizing the liberal arts must involve an approach to the whole man: mind, body and soul.

Now we come to the heart of the matter—what is the purpose of the liberal arts? The assertion that "ye shall know the truth, and the truth shall make you free" is still the best rationale I know for liberal education. But truth is not a narrow specialty in psychology, engineering or business administration. Neither is it restricted to Western metaphysics. Truth is a process—an "unfoldingness" which matriculation in a college or a university is supposed to facilitate, not fulfil.

Freedom is an equally dynamic concept. The truth that sets men free is a freedom *for* something as well as *from* something. The truth liberates. So what we in industry should expect of the liberal arts is the liberation of the mind. What we should be looking for in our recruiting is whole persons—mature, well-adjusted men and women of character who can identify with our objectives; people who have a sense of identity which will sustain them against the threat of anonymity—qualities which are often more important than specific skills.

So modernizing the liberal arts to meet the demands of the eighties may mean going against the current of the new vocationalism to find an appropriate balance between the undergraduate student who sees himself as simply preparing for a vocation and the graduate student who searches unceasingly for knowledge simply for knowledge's sake (and, incidentally, that elusive Ph.D.).

Some medieval scholars were walled in to prevent contamination by the experiential. But no walls could be constructed to contain the truth. No walls could give Western man a monopoly on truth. No walls could keep the black and the poor from wanting in—not just into the institutions but into the curriculum and the social ethos of the academic marketplace.

White, western monopoly is at its end. The old assumption that culture was a unitary concept divided between higher and lower cultures, with Western values at the peak of the hierarchy is now obsolete. It will no longer be possible to teach history without pointing out that when Anglo-Saxon culture was at its lowest ebb Africans of unusual sophistication developed highly sophisticated political, economic and cultural systems.

The Credentialing Myths

The era of the university's monopoly of the credentialing process is also at an end. Our universities have helped to create a credential-conscious society in which employers are more interested in a man's credentials than in what he can do, more interested in where he went to school than in what he knows. As the line between the university and the rest of society becomes increasingly blurred, the myth of a knowledge monopoly will disappear. This may be a blessing in disguise. Professors will have to devote less time to disseminating information and more time to challenging people to think.

It is now obvious that many Americans would prefer that universities

stuck to disseminating information. A thinking person is too frequently a dissatisfied person. He will have been exposed to enough of the greatness of the past, and the possibilities of alternative futures, to remain in a permanent tension with the status quo. His idea of the good life may have come from the Old Testament prophets. His capacity for advanced imagining may have been influenced by the dreams of Martin Luther King. His commitment to humanizing social institutions may have been influenced by Albert Camus. His concept of beauty may have come from Greek philosophy, or his view of human potential may have come from Teilhard de Chardin. Wherever he has gotten it, the very exposure makes him restless in the presence of those who would settle for life as it is rather than as it could be.

Perhaps I should be candid and warn you that industry is beginning to think that the university no longer has a monopoly as a source of its talented manpower. It is not because we have dropped our standards for determining quality. It is simply that the qualities we seek are also cultivated in other places. Several years ago, Dr. Louis Bright, Assistant U.S. Commissioner of Education, released the surprising finding that, in large cities where figures were available, drop-outs had higher average IQ scores than high school graduates. Add this to the increasing assertion that many learn far more far faster in the outside world than within educational institutions, and one has to question whether industry has been looking in the right place for its management supply.

This is only one of the many danger signals now flashing in personnel departments throughout industry. The signals remind us that something is out of phase. As Marshall McLuhan sought to warn us in the sixties, by the time the children of that decade become college graduates (if college "graduation" then exists), education as we now know it may be only a memory. More swiftly than even McLuhan realized, the era of dazzling specialization which divided knowledge into neat compartments became an obsolescent artifact. Fragmentation and sameness are being replaced by a desire for wholeness, diversity and self-understanding.

The sum of the matter is this: Modernize but do not abandon. Liberal arts can no longer assume that Western society has a monopoly on truth. Education must reflect the diversity of our heritage. Blacks, chicanos, women and peace studies are also part of the liberal arts; and so is the individual's search for self-definition and self-fulfilment. Far too many professional persons are indifferent to the larger social questions. They have been preoccupied with training for a job and they have not trained themselves for a life—a life of caring, concern and compassion.

All too often, the other person is an object to be acted upon professionally rather than a person to be embraced and fulfilled.

Despite the public criticisms and the budget problems, these are great times to be associated with universities. The exciting times to live in have always been those moments when the social fabric was most threatened. This is why the Greek philosophers and the Hebrew prophets still stir memories in our blood. In the midst of what Reinhold Niebuhr called "the shaking of the foundations," they were excited at having been born. Camus was right, "history may perhaps have an end; but our task is not to terminate it but to create it."

Narrowing the Gap in Charges Between Public and Private Institutions

JOHN D. MILLETT

I take it that there is no need to demonstrate the existence of a sizable gap between the tuition charges of public and private institutions in this country. The gap is a fact of life in American higher education. Moreover, the gap has tended to become more and more noticeable in recent years. There are some private colleges and universities in the United States where the tuition charges in 1974-75 will exceed $3500 for the regular academic year. Although tuition charges at public institutions are also tending to increase, there are only a few institutions where the charges now have reached $1200 a year; at some public institutions the tuition charges are now approaching $900 a year; and there are still many public institutions where the charges are considerably lower.

Perhaps some attention should be directed to the reason why this substantial gap exists. It seems to me that there are at least two basic factors which have produced the gap. I do not include here the general increase in higher education costs which has occurred since the end of World War II particularly since 1958. Both public and private institutions of higher education have experienced this increase, and each sector has used increases in faculty salaries in the other as one of many explanations why these increased expenditures were necessary.

The two principal forces at work to cause this gap in tuition charges between the public and private institutions are, first the tendency for some private institutions to spend more for instruction than the public institutions tend to spend, and secondly, the fundamental difference in the sources of instructional income for public and private institutions. I want to concentrate my attention here upon the costs and the financing of instruction. There is not much fundamental difference between public and private institutions in

the costs and financing of research, of public service, or of auxiliary services including intercollegiate athletics. The matter of the costs and financing of student aid calls for separate comment.

The major instructional costs of a public or private institution of higher education lie in expenditures for departmental instruction and research. And the most important factors in determining these departmental expenditures are the number of faculty positions and the average faculty compensation. If we assume that average faculty compensation varies only minimally between public and private institutions of the same general type, then we may look for differences in the number of faculty positions.

My own studies, observation and experience tell me that in the better known and often better endowed private colleges and universities the student-faculty ratio is a good deal lower than it is in public institutions. It is not unusual to find a student-faculty ratio of eleven or twelve to one in certain private institutions, and it is not unusual to find a student-faculty ratio of twenty to one in public institutions. Moreover, I have noticed that public universities have tended to make far more extensive use of graduate students as part-time teaching assistants for undergraduate instruction than do the private universities. In any event, the costs of instruction in some private colleges and universities are substantially higher than are the costs of instruction in public higher education, and this difference results in large measure from a difference in instructional practice at the undergraduate level. The private institution has insisted with some justification that it offered the student more individual attention than did the public institution. This has been true, but it has also meant a difference in cost, including a difference in cost to the student.

The second important force which has created this gap in tuition charges to students is the difference in the method of financing instructional costs. Even in the many private colleges and universities, especially in urban areas, where the student-faculty ratio is comparable to that prevailing in public institutions, there still remains a gap in tuition charges. The explanation is simple. Essentially, the costs of instruction are financed from two major sources in both the public and the private institution. The difference in these two sources of income constitutes the fundamental difference between the public and the private institutions.

For the public institution the costs of undergraduate instruction in general in this country are financed about 65 per cent from state

government appropriations and about 35 per cent from tuition charges to students. For the private institution the costs of undergraduate instruction in general in this country are financed about 75 per cent from charges to students and about 25 per cent from philanthropy, including endowment income and contributed services. Thus, if the costs of undergraduate instruction were almost the same for both public and private institutions, as they are in some circumstances, the tuition charges would have to be more than twice as great at the private institution, since it derives more than twice as much of its instructional income from tuition charges than does the public institution.

A word about the costs of student aid is in order at this point. The June 1973 report of the Carnegie Commission on Higher Education dealing with the purposes and performance of higher education has reminded all of us that one of the major purposes of our colleges and universities is educational justice. We may define educational justice as equality of educational opportunity or as equality of access to higher education regardless of sex, race, religion, national origin or socio-economic status. It seems to me that both public and private institutions of higher education are equally committed to this purpose. But the costs of achieving this goal are constantly rising for both public and private institutions as tuition and other charges to students continue to rise. The great gap in tuition charges between the public and the private institution is making it ever more expensive for the private college to achieve educational justice in its admission and enrolment of students. There is a substantial array of financial data which clearly demonstrate this fact.

Moreover, many governmental officials as well as concerned citizens do not realize that government-financed student aid programs today do not meet the costs of endeavoring to achieve educational justice. Only about seventy per cent of all student aid expenditures by all colleges and universities are being met from government and other earmarked sources of income. The remainder is being financed from general income, and the administrators of both public and private institutions report that their expenditures for student aid do not meet current needs for such aid.

Before I leave this subject of costs of instruction and their financing, I should mention one other item. In many private colleges and universities, the overhead costs per student are higher than at public institutions because of the smaller enrolment size of the private institution. A larger enrolment size does create certain economies of scale for the public institution insofar as overhead costs are con-

cerned. Many private institutions could reduce their costs per student if they would enrol more students. If we assume that the instructional plant is available and that student housing is not a problem—two considerable assumptions for many private institutions—then the private college or university, in order to enrol more students, must change its admission standards, find new kinds of students, or obtain additional income for student aid. Perhaps the private college or university may need to do all three.

At this point then it is appropriate to begin to consider what can and should be done about this gap in tuition charges between the public and the private institution of higher education. The first issue obviously is the question whether or not any public or private action is desirable in order to narrow this gap. Is the gap bad? Is the gap a matter which should concern federal government legislators and administrators, state government legislators and administrators, and public university presidents themselves? I think the answer to these questions is yes, and I speak from the vantage point of one who has been both a state university president and the chancellor of a state board of higher education.

Let me add here that on two different occasions during 1973 I met with legislative leaders and higher education administrators in two different state capitals, one in New England and one in a west central state. In both of these discussions the question was asked: why should a state government provide financial assistance to a private college or university? The question was not *how* but *why*. And in both instances, the legislative leaders were sympathetic to the idea of financial assistance. What they wanted was arguments to convince fellow legislators and the voters of the state.

My answer was necessarily both pragmatic and philosophical. I have dealt with legislators over nineteen years and I am well aware that pragmatic considerations carry far more weight than philosophical considerations. The reason is not that legislators do not think; the reason is that legislators and voters tend to avoid ideological argument simply because ideologies divide rather than unite both legislators and voters. I wish there were more persons, some in high position, who understood this basic proposition of American political life.

The pragmatic case for narrowing the gap in tuition charges between public and private institutions of higher education is just this. As of the autumn of 1973 approximately 2,300,000 students out of nine million were enrolled in private colleges and universities. If

private colleges and universities were to close their doors, these students would not disappear from our higher education scene. They would seek to enrol in public institutions. Even more likely, the trustees of the private college or university would have little choice except to offer the assets and the liabilities of the private institution to the state government of the state in which they happen to be located.

To be sure, it may be argued that there is no imminent danger that large numbers of private colleges and universities are likely to fail financially. I, for one, do not share this optimism. Nor do I see how anyone who has read the little book by William W. Jellema published in 1973 can share this optimism. During my eight years as chancellor of Ohio, I was involved in the transfer of three different institutions from private to public status and in beginning state financial aid to a fourth private institution. And I had grave worries about the survival capacity of several other private institutions. One of these has foundered and has turned its assets and liabilities over to a state university since I left Ohio in 1972. I am sure the same kind of story in different detail could be told in a good many other states.

I am well aware that there is some argument about the proposition that high tuition charges at private institutions have been a positive economic force in encouraging students to enrol in public institutions. I believe that there is empirical evidence of such an economic force, and I think you will find this evidence not just in the enrolment trends of the past ten years but even more in the enrolment experience of private colleges and universities in major urban areas when new public colleges and universities were opened or were enlarged in these areas.

If private colleges and universities were to cease their operation, the tax burden of higher education costs borne by state governments would be increased throughout the United States by approximately three billion dollars. According to the data of Dr M. M. Chambers for the current fiscal year 1973-74, our fifty state governments have appropriated over ten billion dollars of state tax funds in support of all state government programs in the field of higher education. If this budget were to be increased by thirty per cent, the tax burdens of state taxpayers would be substantially increased. Or the state governments might decide to continue their appropriation of ten billion dollars, with some small increments, and to spread the total amount over all the enlarged number of students. The consequence would then be a considerable reduction in expen-

diture per student by all public institutions or a considerable increase in the proportion of instructional costs paid by students at public institutions.

There is an alternative to these possibilities and that is for state governments to take positive action to narrow the gap in tuition charges between public and private institutions as an economic incentive to encourage enrolment at private institutions and to help preserve their financial viability. Before I turn to this subject of how to narrow the tuition gap, however, let me say a few words about the philosophical argument in favor of narrowing this gap. In an audience of higher education practitioners, some philosophy ought not to be out of order.

The basic political philosophy of the United States is a commitment to liberal democracy. In this context "liberal" means a government which shares power and activity in society with non-governmental institutions and non-governmental enterprises. Liberal also means a government which acknowledges limitations to its power—limitations in terms of personal liberties protected for the citizen and limitations in terms of the scope of authority exercised by government. And in this context "democracy" means government of the people, by the people, for the people who constitute a national society.

If we accept this commitment to liberal democracy as a public philosophy, then we must ask what relevance such a public philosophy has for the social institution of higher education. And the logical response, I would maintain, is that such a public philosophy attaches great importance to the continued existence and welfare of private colleges and universities alongside of public colleges and universities. In this way, there continues to be a pluralism of power and of activity within the social institution of higher education, embracing both public and private enterprises, and there continues to be some element of choice for the individual between a public enterprise and a private enterprise in higher education. I happen to believe that the preservation of pluralism and choice within our various social institutions is essential to the preservation of liberal democracy.

If for reasons of pragmatic self-interest and for reasons of philosophical self-interest we think the preservation of a private sector in higher education is vital, then we must of course inquire further about the means available for narrowing the tuition gap. There has been a great deal of argument in recent months about the question

of means as a result of the publication of the CED report on the management and financing of colleges and the publication of the Carnegie Commission report on who should pay how much for higher education instruction. Both reports expressed concern about the gap in tuition charges between public and private higher education, and both reports proposed that the gap be narrowed by increasing tuition charges at public institutions. Needless to say, these proposals have been strongly criticized by some 6.7 million students who would be affected by them and by spokesmen for public colleges and universities. I must add here a word of appreciation for the evidence thus provided by college students that when it comes to paying higher charges they behave just like all of us of an older generation.

But there are alternatives to the procedure of increasing tuition charges at public institutions. For the immediate future, the choice I personally advocate is a state government subsidy to private colleges and universities for each full-time-equivalent undergraduate student resident of the state, amounting to one-half of the average state appropriation per full-time undergraduate student at a state university. This subsidy would be paid under a contractual agreement between a private college or university and a state board of higher education, specifying that eighty per cent of the subsidy would be used by the private institution to reduce its tuition charge to the student and twenty per cent would be a subsidy for the instructional costs of the institution. There is one state government which has a student aid program based upon financial need similar to the proposal which I am making here. I believe it would be more desirable to have a program of this kind for all students regardless of need. We do not apply a needs test to enrolment in public colleges and universities, and I see no justifiable reason to apply a needs test for students who receive a partial subsidy in order to enrol in a non-sectarian private college or university.

There are other choices also open. When I had a hand in developing a student aid program in Ohio in 1969, I recommended that there be two different levels of financial aid to undergraduate students, one level at institutions with annual tuition charges below $1000 and a much higher level (twice as high) at institutions charging over $1000 a year. Another approach to the student aid formula is to calculate the total charges to students at an institution and then subtract the expected family and personal contribution in order to arrive at a need figure. In this approach the larger tuition

charges at private colleges and universities will be reflected in the higher total costs a student must be able to meet in order to enrol at a private institution. Still another arrangement is the direct subsidy to a private college or university, as is provided under the so-called Bundy law of New York enacted in 1968. Presumably such an arrangement reduces the pressures upon a private college or university to increase charges to students.

There are, accordingly, several alternative ways of narrowing the tuition gap between public and private institutions other than increasing charges at public institutions. The defect in all these other approaches is obvious. They all require state governments to spend more money than they currently spend for higher education purposes. The advantage in raising the tuition charges at public institutions is that it may cost the state taxpayer little or nothing in the way of increased taxation. While the higher tuition proposal outrages students and officials at state universities, it does not outrage the state taxpayer.

It is often overlooked that proposals to increase tuition charges at public colleges and universities are based upon two propositions. One is that a substantial proportion of the students enrolled in a public college or university come from families whose incomes are in the upper half and indeed in the highest quartile of family incomes in this country. As a general proposition, I have learned from experience that, as a public institution becomes more highly selective in its admission of students, the higher becomes the level of family income for the students who are enrolled. The other proposition is that any action to increase tuition charges at public institutions must be accompanied by a student aid program for students from lower-income families, especially students from families whose annual income falls below the median family income in the country.

State university presidents are fearful that, as tuition charges are increased, student aid programs will not keep pace with the higher costs to students. This is a perfectly proper fear. In Ohio, in 1969, 1971 and I believe, again in 1973, this concern was at least partially alleviated by including the student aid formula in the appropriation laws which fixed levels of state subsidy to public institutions of higher education and which prescribed the level of student charges public institutions might fix. I would also point out that, should state universities expect to obtain any financial advantage from the substantial increase in federal funding of basic opportunity grants in the academic year 1974-75, as provided for in the Fiscal 1974 HEW appropriation signed by President Nixon on 19 December

1973, they will have to obtain this advantage by increasing their tuition charges to students. There may be some additional advantage realized by public institutions through reducing or eliminating the commitments to student aid now made from the general funds of these public colleges and universities.

But I wish to conclude these observations with a very different kind of comment. Let me begin by expressing my disappointment and dismay that this whole subject of narrowing the gap in tuition charges between public and private institutions should have engendered so much current animosity between state universities and their brethren institutions in the private sector. I have been a state university president and a state government higher education officer, and I am well acquainted with the outstanding services rendered by public institutions of higher education to their students and to society. But as the graduate of a private liberal arts college and of a major private research university, which I also had the privilege of serving as a professor for eight years, I am convinced of the important contributions made by our private colleges and universities to students, to society *and* to public higher education. Just as I believe conflict between different state universities is unfortunate and self-defeating, so I believe that conflict between state universities and private colleges and universities can only be unfortunate and self-defeating.

But before this conflict develops a full-head of steam—assuming that the conflict has not yet reached such dimensions—I would like to suggest that both public and private institutions of higher education have a much more important issue to address, and that both sectors of higher education have an equal stake in this issue. At an educational seminar last October in Washington, where I was discussing the same issues presented in this paper, one participant asked me whether or not I had given any thought to the possibility that a student financial aid program based upon expected parental contribution might be unconstitutional. In particular, this possibility arises in every state where eighteen years has now been declared by law to be the age of majority. I responded that I had given some thought to this possibility but considered the eventuality sufficiently remote to justify postponement of current concern with the matter.

Now, three months later, I have come to believe that my response was wrong. I have been warned by persons whose judgment on this matter I respect that there is a reasonable probability that within two years we shall have court decisions holding that any law or

practice basing financial aid to students upon a required parental contribution is unconstitutional as a denial of equal protection of the laws. If this warning should be borne out by events, every single student will have to be considered as an individual family unit for whom no parental contribution of support can be demanded by an institution of higher education or by an agency of government.

In these circumstances the entire structure of student tuition charges at public and at private institutions of higher education will be threatened. The tuition charges can remain as they now are fixed, but access to higher education will be restricted to those students who can afford from their own personal resources and those of their spouse to meet these charges. And of course parents may voluntarily assist their sons and daughters to meet tuition and other costs. Governments and institutions may assist students in meeting tuition and other costs, provided that a parental contribution is not required as a prerequisite of such assistance.

I think it is time now for public and private institutions to join together in a careful exploration of this possible circumstance which may in fact confront them in the near future. One leading economist of higher education financing suggested to me recently that he now believes the only constitutionally acceptable student aid program by government would be a general student loan program, including an income contingent loan program. This may or may not be the case, but certainly the implications need careful study and the requirements of an expanded student loan endeavor need careful development.

One possible response of state universities to this new threat is to demand state government appropriations in sufficient amount to eliminate all tuition charges to students. This kind of action would probably cost state governments someplace between 1.7 and 2 billion dollars. Here again there would be some question about the availability of any such additional financial assistance from state taxpayers. But a more important consideration is the fact that zero tuition charges at state universities would be no guarantee of equal access to students regardless of socio-economic status. The student at a state university must be prepared to meet his or her living expenses, including forgone earnings while enrolled as a student. These are not inconsiderable costs, as many economists and the Carnegie Commission have reminded us.

We need to think of student tuition charges in a new context—in the context of the legally emancipated student and in the context of

total costs to the student, including forgone income. We need to think of how society and how our institutions of higher education can best help students of academic potential to meet those costs. And these are issues which confront equally the public and the private institution of higher education.

I am not trying to say that the gap in tuition charges between public and private institutions of higher education is about to disappear as a problem of public policy. I am saying that any concern to narrow this gap may well have to be placed in a new framework, and that this concern is a matter on which public and private institutions need to join together in their thinking and in their advocacy. In such joining together lies the strength and the future of all higher education in America.

The Case for Pluralism and Diversity in Higher Education

RALPH M. BESSE

In the last ten years, higher education in America has been subjected to more study, analysis, criticism and planning by governmental bodies, publicly and privately supported commissions, academic scholars and journalistic specialists than at any other time in our history. In the written word that has flowed from this activity there is an overwhelming endorsement of pluralism and diversity, almost always without any statement of the supporting rationale.

The function of this paper is to examine the rationale for pluralism and diversity in higher education. These terms are seldom defined in the literature. For simplicity's sake, I will use pluralism to mean merely a multiplicity of institutions, although I am aware that the term often has a broader meaning and that different leadership of the same or a similar institution often brings a variance in academic thrust. I will use the term diversity to mean variety or difference in any significant facet of the higher educational process, whether institutional or intra-institutional. To illustrate, I would say there is a great pluralism of community colleges across the nation. There is very little institutional diversity among community colleges, which tend to be similarly structured with somewhat standard objectives. But there is a great deal of program diversity within community colleges, designed to match specific local needs.

Historically, America has had diversity in higher education, related predominantly to the sources of financial subsidy (i.e. public or private) and to the individual objectives of institutions of higher education. Until after World War II, independent institutions of higher education were dominant in the nation and presented to those who could afford college a very wide range of educational opportunity.

The great watershed of opportunity in higher education, and of attitudes toward it, came with the GI Bill of Rights following World War

11. One impact of this action, not yet fully recognized by our sociologists, was to carry the message to lower-income, middle-class people, many of recent alien origin, that not only was a college education academically achievable for their sons and daughters but it was economically available. This launched a great wave of higher educational opportunity for white Americans, followed by a secondary wave for nonwhites.

The most obvious consequence was the overwhelming growth of state-supported institutions of higher education, including a veritable explosion of two-year colleges and proprietary schools.

In the last generation there has been very little activity in the establishment of new private colleges. I have not searched out the statistics but I suspect that there have been about as many independent colleges either closed or absorbed as there have been new ones started.

The new state institutions, on the other hand, have been predominantly structured on a single pattern, namely, a three-tier structure of two-year community colleges, four-year baccalaureate colleges, and big state universities. This has been achieved in part by the conversion of normal schools to state colleges and of many state colleges to universities, thus adding to homogeneity.

Thus the only major institutional diversity in recent years has been the community college movement (supplemented at lower levels by proprietary schools). For some time now, this has contributed mightily to pluralism through the establishment of new colleges and campuses, but its pattern of action has become so standardized that it no longer makes much innovative contribution to institutional diversity.

The case for pluralism is very largely the case for opportunity. Geographic access is highly important to many students. This is hardly debatable in a democracy. Those with the intellectual capacity and personal motivation to absorb higher education should have access to it. For most practical purposes pluralism has been established in the nation. We have about enough institutions for the foreseeable future, perhaps too many.

A case for diversity, as I have defined it, is quite a different matter, but to my mind it is equally important to provide it. The problem, brought about by the compound effect of inflation and change, is to determine whether or not to maintain most of the independent institutions we now have and, although it is largely theoretical at the moment, to make it possible to establish new ones if the need arises. The solution to this problem requires an examination of the social desirability of diversity in higher education as a concept.

First, as basic background, let us look at the nature of the student constituency to be served by higher education. It includes men and women, old people and young people, rich people and poor people, many races, ethnic groups and non-ethnic groups, brilliant minds and below-average minds, and a range of interests, aptitudes, personal needs, ambitions and motivations as broad and varied as our exceedingly complex culture.

The social needs which higher education must serve are equally varied, as fields of knowledge expand in depth and number, technological competition increases, world involvement accelerates, urban living alters our mores, and affluence impacts our total way of life.

And thus the mere statement of the complex nature of students and of social needs is almost enough to demonstrate the requirement of both institutional and program diversity. Certainly no one institution or type of institution could be adequately designed to achieve optimum service and quality for such a variety of demands. Perhaps it is because this is so obvious that so few have written in its defense or explanation.

But there are other important reasons which justify diversity. One reason is the impact of market competition and the constructive force of creative tension which competition induces. While choice of institutions by students is not entirely free, due to geography, economics, admission requirements and other factors, still there is a broad enough free market to keep educational performance competitive. As a consequence, outstanding institutions have developed in every field of knowledge, and most other institutions struggle to achieve or approach the reputation of their more successful competitors. State legislators, for example, tend to be very proud of their state educational activities. It is an important element in the appropriation of funds to make, let us say, a Berkeley competitive with a Stanford. Pluralism contributes to this as well as diversity.

Great minds rarely run parallel, and thus the leaders of different institutions see the solution to educational problems in vastly different ways. This results in substantially different emphasis being placed on the same subject matter in different institutions, depending on the point of view of the policy makers. This is highly desirable and in many cases expedient. Wholly aside from intellectual points of view, it would seem best that Iowa develop great agricultural institutions and New England great oceanographic studies. Others get a headstart in quality because of the foresight of a great professor or department head or the good fortune of special financing or specific and successful early experimentation. As a result, oases of quality emerge in varied and some-

times surprising places. Those who are interested in the area of study where these occur form the market pressure for others to meet the best standards of quality.

This market impact is not limited to students. The best professors gravitate toward institutions whose activity has achieved the highest status in their field of teaching and research. Since the diversity of specialization produces some outstanding institutions, diversity constantly provides improving standards.

Diversity contributes to another facet of quality. In the great modern thrust for equality of opportunity in higher education, there have been some casualties in quality which might have suffered even more without the protection of diversity. A false philosophy of liberalism has launched a subtle attack on elitism in higher education. Elitism which is based only on the wealth of the student body cannot be defended, but elitism which is based on the aristocracy of superior minds can not only be defended but in the long run may be essential. It contributes to the preservation, not only of our competitive position in the rest of the world, but also to the soundness of the philosophies which underlie all other activities of the culture.

To me there is nothing inconsistent in that diversity of the learning process which provides opportunity in one institution for average or sub-average intellects and opportunity in another institution for superior intellects. Almost all the progress of history is traceable to superior minds. And I am not speaking solely of science, where brilliance is commonly recognized as an ingredient of creativity. It is equally true that brilliance is required for creativity in art, music, philosophy, literature and every other important category of social activity. Great minds deserve great training, and whatever value may be derived from the social leavening that comes from the less brilliant students and faculties mingling with the more brilliant students and faculties, it is more than offset in end result by a diversity which permits brilliant faculties to compound their effectiveness by teaching brilliant students. The constructive contributions of the great independent elite research institutions confirm this conclusion.

Another quality element flowing from the diversity provided by elite institutions is the assurance of better use of research funds. Research activities would improve any educational institution, but research funds are finite. Our nation as a whole must endeavor to achieve the optimum return from its research investment. This requires the allocation of research funds to those institutions which concentrate their

efforts on the best students directed by the best faculty. Diversity makes this possible, and the great private universities have been a vital part of the action. This impact is at some hazard because recent growth in numbers of graduate students has occurred mainly at less qualified institutions, many of which have sought graduate school diversity with quite inadequate standards.

Turning to another line of thought, the provision of universal opportunity for higher education obviously requires both pluralism and diversity. Geographically dispersed institutions are needed for access. Lower-cost institutions are needed to serve the economically less fortunate. Specialized-skill institutions are needed to serve the economic skill requirements of a great variety of people, and so forth. Actually these are the areas where some of the greatest change is currently taking place in higher education, both by the establishment of new institutions and by changes made within old ones. There was a time, in a less technically oriented and infinitely less specialized society, when the product of pure liberal arts training could find widespread job opportunity in all but professional-type jobs. This is no longer true because of the increasingly specialized skill requirements of non-professional-type jobs. Diversity thus becomes a cultural necessity.

The opportunity of our educational institutions to specialize deserves more comment. The more advanced we become in this culture, the greater the depth of learning in each field of knowledge and, correspondingly, the greater the degree of difficulty in acquiring a complete grasp of any single field. Oddly enough, the more we learn about any single field of knowledge, the greater the opportunity seems to be to discover even more. It is thus not possible to know all there is to know about any single field and be expert in any other. This phenomenon has compelled the organization of special-purpose institutions which admittedly have some social failings but which provide many essential pieces to the jigsaw pattern of the whole society.

This introduces the question of whether intra-institutional diversity might not be so designed as to achieve all the benefits of inter-institutional diversity. First, we should keep in mind the fact that the two are really not inconsistent. To say that it is unlikely that Caltech would have emerged within a great university is no reason for concluding that it is undesirable to have created the great department of physics at Columbia or the computer excellence of the University of Illinois.

Intra-institutional diversity at large state universities has several handicaps. First, legislators tend to frown on non-traditional things

especially if they are far out. Second, political administrators are more likely to interfere with educational activities when the administrators disagree with what the universities are doing. Third, significant diversity within any very large institution cannot have the full, undiluted thrust of the institution. Fourth, any given program of diversity is unlikely to have the personal attention of the top institutional administrators. Fifth, on the basis of experience so far, there is some evidence that personal eccentricities dominate many intra-institutional efforts more than the creative processes or zealous objectives which led to the founding of the programs. And finally, I suspect that many intra-institutional diversifications lack contributory support from the bulk of the institutions' faculty who are not directly involved. There are, of course, parallel impacts in very large private institutions.

Nevertheless, there have been some real intra-institutional contributions to diversity in a variety of places, particularly in the form of separate "schools" under the umbrella of a larger institution. It is clear, however, that they fall far short of an adequate replacement for the great institutional diversity of independent colleges and universities. Certainly the risk of diversity not developing adequately under a single, uniform homegenized national structure of higher education is too great a risk to run. In addition, the points I will discuss in a moment relative to academic freedom have a direct bearing on this issue.

So far, I have been discussing pluralism and diversity as a broad educational concept. The widely prevailing tendency is to restrict discussion of the desirability of pluralism and diversity to the issue of maintaining independent institutions in contrast to state-supported institutions. The desirability of both pluralism and diversity is very much broader than that, and were independent institutions to disappear and be gradually absorbed by government we would still have the great challenge of expanding diversity within the state and federal structure of higher education. Nevertheless, the most important issue in the problem of diversity is the question of whether or not this society should perpetually preserve independent institutions of higher education.

I believe the case for preserving them is very strong, although I am far less sanguine about our ability to ensure such preservation.

The case for independent institutions as a factor of diversity includes all of the separate reasons for diversity already stated but rests most importantly on the dual factors of freedom and quality.

On the issue of freedom, the broader question is whether government can be trusted to control higher education completely. The risk in America is not as great as it is in foreign countries, assuming that we

do not at some stage make the great mistake of so financing our institutions as to make them dependent on federal government funds. We have the great advantage in America of having publicly-supported institutions controlled by fifty different states and a few municipalities. So far, there has been very little evidence of state governmental interference with the academic freedom of state institutions. There has been some, however, and as the financial burden of higher education increases, the risk increases that there will be more.

At the federal level, educational funds have largely been devoted to three things: scholarships, buildings and research.

Money given for scholarships cannot as a practical matter have very much influence on the academic freedom of the institution where the student uses the scholarship. Some governmental control can be applied to the purpose for which the scholarships are given; thus science has had more than its share, or more accurately stated, other fields have had less than their share.

It is also difficult for the federal government to have important impact on academic freedom by helping to finance buildings, although here again some choice can be exercised in selecting the type of use to which buildings may be put.

In research, the federal government has already shown a tremendous bias. It has not only skewed funds toward science but for a long time they were directed predominantly toward military support. Now they are being directed toward applied research as distinguished from basic research; certain areas of science are out, engineering is in; certain areas of basic health science research is out, others in, etc.

I would just as much fear the federal government's financing the general operations of colleges as the founding fathers feared a federal government financing the general welfare of the nation—which they restricted by a powerful structure of separation of powers and the Tenth Amendment reserved powers. If federal financing of operations also became important in state institutions, I would have the same fear. Thus, a real value exists in the preservation of a significant structure of higher education with which governmental educational structures must compete and can be compared. Academic freedom is too precious and important a quality of a free society to be subjected to political log-rolling in Congress.

Another impact of governmental control of institutions of higher education in comparison with independent control is the imposition of an ever-increasing amount of regulation of the educational processes

subsidized by the government. Howard Bowen summarized these in an address to the Council For Financial Aid to Education on November 1 of last year. The specifics he outlined included: ". . . the imposition of detailed line-item budgets, civil service regulations, central purchasing, central architectural control, state control of tuition rates, seizure of tuition income by some states, regulation of teaching loads, arbitrary formulas for allocating funds, and central decision-making by multi-campus system offices and coordinating commissions."

As the tax cost of higher education increases, there will inevitably be an accretion of restrictive regulation. The result is more than just a reduction of flexibility, although it involves that too. The worst consequence of these increasing regulations is their subtle but important interference with academic freedom.

To the extent that independent institutions depend on state or federal funds or are subject to other regulations, they too are subject to growing restriction. But the degree of application is far less severe because of their major non-governmental fund sources. This permits greater freedom and flexibility in independent institutions, and this in turn tends to restrain the growth of restrictions in state institutions. It is too much to hope, however, that it will completely prevent it.

The correlation between freedom in higher education on the one hand and the existence of independent institutions on the other has many facets. Because many of these concepts cannot be quantified they are difficult to demonstrate. They are nonetheless real. The first one, perhaps, is the right of any group of people to organize institutions of higher education for their own purposes. Religious-oriented colleges are the best example but not the only one. These institutions become instruments to propagate and preserve a philosophy in which they believe. The right to do this is a vehicle of freedom. If it is to be preserved, independent institutions must be preserved.

The second great facet of freedom is the opportunity for free choice that independent institutional diversity gives to a student. There is almost unlimited choice among institutions—which enables the student to exercise his own free judgment in the selection. This is what freedom is all about.

Another facet of freedom to which institutional diversity contributes is the comparable freedom of faculty members. Like students they have choices, broadly speaking, in the institutions they wish to serve. Pluralism, of course, as well as diversity, contributes to this.

And finally, in the all important area of freedom, we must remember

that one of the main processes of higher education in the United States is as the Carnegie Commission has said: ". . . the critical evaluation of society—through individual thought and persuasion—for the sake of society's self renewal."

It would seem axiomatic that the faculties of institutions controlled by the government are far less free to criticize the government than the faculties of institutions not controlled by the government. It is likewise highly probable that the free criticism which comes from independent faculties makes freer the criticism which comes from tax-supported faculties. In any event, the total control of higher education by government, even with the protection which is more or less inherent in the existence of fifty different states' educational organizations, is too great a risk for a free nation to incur. If support be needed for this proposition, it is to be found, as Terry Sanford has pointed out, in the state-controlled system of Sweden. At the extreme, the point can probably be illustrated in any communist-controlled country.

The relationship between independent institutions of higher learning and tax-supported institutions in the field of quality is a subtle but important one. Perhaps the two most important elements of quality are the intellectual capacity of the student and the intellectual capacity of the faculty. These two have an affinity for each other. Political institutions on the other hand must continuously contend with the democratic force which illogically but understandably pushes for the same treatment for everyone regardless of mental capacity. An independent institution can resist this force and most of them have. And thus they have not only made great quality contributions on their own but have set quality standards which many state institutions have emulated. The ability of the state institutions to do this is strengthened by the fact that they are competing with independent institutions.

The force of the faculty is particularly great in this area because the overwhelming majority of faculty members aspire to a quality reputation in their own fields. It is independent personal achievement that motivates them, and the institution is the beneficiary. The faculty members of a state institution must compete within their own discipline with faculty members of the most elite independent institutions in the nation. The result has been the development of many departments and schools of very high quality within state institutions, and a few state institutions which are of total high quality. All of them are indebted in part to the independent institutions for this achievement.

It has often been asserted that independent institutions have more freedom to innovate and experiment with new educational processes than the state institutions. Whether they do or not, it is clear that their

innovation and experimentation has made very important contributions to the improvement of education and this adds to the weight of the argument for maintaining independent institutions as underwriters of quality.

Another characteristic of the independent college, which many believe to be of great importance to our culture, is the existence of the small institution as a matter of deliberate policy. This not only enables independent institutions to found and maintain their activity on specific philosophical foundations which preserve important cultural, ethical and moral values basic to our civilization (approaches which are rarely open to tax-supported institutions), but it also ensures the availability of colleges for that significant portion of qualified youth who need the kind of individual attention and campus identity which only a small school can provide. This is not to say that the mass service of the large universities is wrong but merely that the diversity of the small independent institutions adds important values not obtainable in the huge universities.

Although the point has little to do with pluralism or diversity, it should be noted in passing that the elimination of the independent colleges would be a very uneconomic move for the society as a whole. There is a tremendous investment in these institutions, in terms of physical facilities, accumulated endowment, and going-concern value. There is a continuing free-contribution support which relieves the general tax burden. All of this would be seriously disrupted and devalued by the elimination of independent institutions.

Finally, we should remember that independent institutions of higher education have generated a huge army of voluntary supporters who contribute their time, talent and experience, in addition to their money, to helping manage and improve the educational service of the independent institution. This keeps both concern for and knowledge of higher education in the hands and minds of able citizens at the action level throughout the nation. It is difficult to picture a more important activity illustrating democracy in action.

And so I must concur with the overwhelming majority of commentators that a dual system of higher education is as vital to the maintenance of our free way of life as any other activity in our culture. If freedom is to be long maintained in America, it must be maintained by a variety of free institutions. In any ranking of the importance of free institutions, the independent colleges and universities which help shape both the leadership and the philosophy of the future would come high. The nation simply cannot afford to let them disappear.

The Role of the President—Manager or Educator?

JOSEPH KENNER

Welcome, fellow businessmen. Welcome to the world of management. This is not a put on. I mean it.

You may have been trained as educators. But once you accepted the mantle of presidential responsibility your basic functions changed. No longer can you, personally, educate. Rather, you manage an educational institution. Or, perhaps more appropriately, you manage a business whose product is education.

Yes, fellow businessmen. This could be the debate of the century: college presidents—educator or manager? But perhaps there may be no debate at all, only a growing awareness that the game has changed, and the name of the new game is survival. For, without survival, preoccupation with educational objectives will be for naught. In fact, it could be strictly "academic."

Successful survival programs, however, require effective management—even in the esoteric world of higher education.

In the world of commercial enterprise, those who are responsible for management at least view themselves as managers. Unless college presidents, whether or not they have been educators, also view themselves as managers, they will have but slight chance for survival as college presidents. Unless colleges replace those who fail, and then secure the services of competent chief executives, the colleges themselves will have slight chance for survival.

Colleges—A Perspective

Many of you have followed the lead of innovators of the past. Some of you may even have done some innovating of your own. But, unless most of you are now able to make the management transition rapidly, private colleges may go the way of the dinosaur.

Dinosaurs could neither change their environment to suit their needs nor satisfactorily adapt to the changing environment. And, short of effective control of the environment, the key to any organism's survival has almost always been that of timely adaptation—before the changes being wrought destroyed the organism's capability to adapt.

It is true, of course, that colleges and college presidents have been adapting to a changing environment for over 200 years. But an accelerated pace is now required, for the environmental changes have accelerated.

American institutions of higher education have grown from only nine in 1780, to 182 in 1864, and 2573 in 1970. Enrolment also grew, going from approximately 3000 in the latter part of the eighteenth century to approximately 240,000 in 1900, and to approximately 8,000,000 in 1970.

Students have changed too—not only their attitudes and interests but their age. Significantly, they were very young until after the mid-1800s, "with many as young as 12 or 13. . . . the college leaving age for most was about 17 or 18," the age of today's freshman. And with graduate studies involving an additional ten per cent of total enrolment, the age change is even more pronounced.

Curricular emphasis has shifted from the development of character and some awareness of a limited world to the development of skills and some awareness of a rather complicated world. While the curriculum of the past bore "some resemblance to today's secondary school curriculum," today's colleges provide an umbrella for in-depth specialization, broad generalization, and diversified research.

During this period of change, college heads have not been idle. You have been contributing to the changing campus environment, while you yourselves have been changing. Until the Civil War, nine-tenths of the college presidents were ordained ministers. Now, ladies and gentlemen, may I ask you, with all due respect, how many of you today are ordained ministers? Very few, I think. Most of you were secular scholars and some of you came from outside the academic community.

But what has changed most for you college presidents is the nature of your work and responsibilities. While your predecessors in earlier days may have done some teaching and some preaching, you do none or little of these today. Furthermore, as you know, you are no longer able to govern unilaterally or personally administer all the intricate details of college operations.

The advent of student and faculty participation in college affairs required the president to be more of a leader, arbiter and motivator rather than absolute ruler—subject only to the board of trustees.

While providing direction through argument and reason, today's "with it" college president secures the stability and health of the college by increasing attention to such diverse factors as market analysis, production control, labor relations and financial management.

You have in fact become businessmen—good or bad businessmen—your latest stage in the evolutionary chain. You now must not only maintain continuity of general purpose but keep your focus fixed on the "bottom line"—surplus *vs* deficit. We might even say Profit or Loss.

In the quest for balanced budgets or surpluses, however, it is not enough to be a caretaker president. Whether you use guile or persuasion, you must be an outspoken advocate of unified objectives. Even the need for academic freedom cannot be allowed to obscure the need for survival. Thus, more than ever before, perhaps the key instrument for survival of the private college system is the college president—acting as chief executive.

College Presidents—A New Image?

Some of you may have regretfully assumed this new role, however repugnant, out of recognized necessity, while others may still seek to deny their new role, and act in ways contrary to their real need. As reassurance to those of you who have accepted the mantle of chief executive, and as further assurance for those of you who resist because of image, let me state that we corporate businessmen have also been changing.

Perhaps if you erased from your mind the old image of corporate presidents, your image of the new you might be more acceptable. And you might find the applicable tools of modern management more useful. You could then become less involved with images and more involved with achievements.

Corporation President—The New Image

You should be aware, for example, that corporate managers are increasingly less able to survive as unfeeling manipulators of their people and resources. Unbridled authority is less successful in the pursuit of corporate objectives. Profits are becoming almost impossible without concern for the people who make up the corporation. And, when the corporate manager's enlightened self-interest fails him, he must draw

upon his skills as arbiter in coping with the special interests within his own organization, whether they be led by shop stewards, department heads or members of the board.

An examination of the real developing world rather than old images, therefore, will show that the functional imperatives of college presidents and corporate presidents are moving closer to each other.

So, with this in mind, let us take a closer look at our respective business operations. First, a quick look at the business of private higher education.

The Business of Higher Education

There are many businessmen like you. The Association of American Colleges (your own trade association) represents approximately 800 companies—competitors who, for the most part, are private four-year colleges reaching a market which, in 1970, hit a high of approximately 2,000,000 buyers (students).

More significantly, however, the majority of your members, serving the undergraduate market, have an enrolment under 1000 students, with some going to the 500 level and some going to the 2000 level or higher. Nevertheless, you are often called upon to provide services similar to those being offered by other competitors whose share of the market gives them a higher enrolment and the capacity to provide more diverse and developed product lines.

But total enrolments dropped in 1971 and 1972 (the trend is continuing); your market appears to be shrinking, and tuition income is down. Since other sources of income such as endowments, gifts and grants also seem to be slipping, you are being pushed to increase your prices in a declining and competitive market.

The cost/price crunch seems to be insurmountable. Midst declining enrolments (loss of customers and income) and rising costs of operation, more and more colleges are operating with deficits—such a tender word! Let's face it, colleges are losing money. According to a survey taken by the Association of American Colleges, the average deficit for the 1968-69 year of 554 institutions surveyed was $20,000 and the average for 1970-71 was projected at $115,000.

Southampton College, in a recent news report, was cited as facing a loss of $200,000 in 1973, with an accumulated deficit of $2,800,000. Southampton College is part of a conglomerate. It is possible that they may be saved by the parent corporation "bailing them out," or by new

management approaches. Even so, there is talk that the liquidation of property and buildings would be enough to pay off the creditors.

The statistics are voluminous. More are being issued, together with analysis, every day. But I did not come here to spout statistics, most of which you already have or know where to get. My purpose in citing some of these numbers was merely to deliver them in terms which relate to your role as Manager, not as Educator.

The educator can wait for someone else to do the "bailing out," all the while maintaining preoccupation with more esoteric pursuits. As chief executive, responsible for survival and performance, you can't afford to wait. You must be in the vanguard, evaluating facts, exploring alternatives and offering viable action programs.

The Business of Education and Corporate Management

Coping with external pressures, balancing your budget and stabilizing the operation of your organization is a test of your ability as a manager in the business of education.

Managers, however, in order to function, need organizations which are capable of being managed. Recognize it or not, for the most part almost every college has an organization which is capable of being managed. In fact, modern broad-based business operations are, surprisingly not unlike the operations of many modern colleges.

The corporate president may want to wield his power in a single-minded, authoritarian fashion. But if he is to succeed in motivating efficiency and creativity at all levels—if he is to succeed in having policies followed and programs implemented aggressively and eagerly—he must share his power. He must delegate authority and provide regular channels of feed-back—not only from consumers but also from all levels of the organization.

However, the term feed-back merely connotes a chain of communication. It must go beyond that into constructive, participatory policy-making—even for non-educational corporations like mine.

The Corporate Manager

Although I have been many things in my business career, my role now as chief executive is essentially that of a manager, but not a manager in the administrative sense. I employ administrators.

If my role is to be effectively played, I must create, innovate, motivate and otherwise lead and direct the people and resources of my

business so that we select and reach desirable and reasonable objectives.

So people like me, involved in traditional commercial enterprises, may not be much different from people like you. Only, corporate presidents like me face the issues of survival every day.

We must, because we are judged much more swiftly than you are. For us, the profit and loss picture is the ultimate quantifiable measure of achievement. And the measure is viewed every month. An operation that is losing money must either change its methods or change its management. Unless it does, the losing operation ultimately ceases to exist. Aren't you as college presidents facing the same problem today?

Our Changing Roles

I am president of a mechanical contracting company. We design and install heating, ventilating and air-conditioning systems. Years ago, before we grew into a corporate entity, I had direct contact with the consumer of my products and services. Among other things, I engineered and installed the systems we sold. Today I do none of these things.

How many of you started as teachers or filled other roles in the world of education? Just as many businessmen began their business careers as engineers, scientists, or any one of a number of specialties, and then moved on, so have you moved on.

But it is not my contention that the college president, as a manager, ceases to be concerned about educational values, goals, standards or methodology. As president of my company (and I am not unique), I am still very much concerned about engineering values, goals, standards and methodology. But I have become a generalist, and my major activity is providing an atmosphere in which the specialist can function and interface, with my overview, for the benefit of the total corporate organism.

The college president, in a similar role as chief executive, may be in the business of education, but it is just as much a mistake to consider him to be an educator, as it would be to consider the president of the electronics company to be fulfilling the role of engineer just because he was trained as one and formerly worked as one.

Putting It All Together

Whatever higher goals we may have for ourselves or for mankind,

we must first be a viable entity in order to achieve those goals. Commercial enterprises that lose money are obviously not viable entities. And break-even operations have severely limited viability.

Are institutions of higher learning much different? Increasingly, college presidents are becoming budget-oriented. College presidents are looking at the bottom line. And, it is a lonely job—looking at figures no one wants to hear about.

It is certainly lonely for me. And I am a fifty per cent stockholder in the business which I manage. In 1974, my corporate billing will be approximately $7,000,000. In the process, I will employ approximately 200 people and will be selling a broad product line to hundreds of customers.

In order to do this effectively, my 200 employees must be organized into a cohesive functioning organism with individual components having separate and specialized functions—all operating with objectives, all monitored for performance according to previously established criteria. Yet each having a separate identity and group ego. Each in apparent conflict with the others. Yet each dependent upon the others.

My sales or marketing department generally believes that all other departments are insensitive to the needs of the consumer—that sales objectives are too high, and that our mark-ups or charges, unrealistically, are too high.

The design and engineering department generally believes that standards are too low—anticipation of new trends or techniques too slow—and that all other departments are too insensitive to the importance of scientific standards.

The production department generally believes that too much must be done in too short a time, with insufficient resources at an unrealistic cost, for uncooperative and unappreciative consumers.

The financial department generally believes that all other departments are wasteful, do not exercise effective cost control, are unaware of the significance of numbers, and generally do not know how to organize and administer.

All departments, generally, believe that they are understaffed, underpaid, undervalued, under-budgeted and misunderstood.

You know, in many ways, they are all correct. But even more than that, they have a common ground, a jaundiced view of the people at the top. It is the chief executive's job to change this view—put it all to-

gether, make it work. It means superimposing over their personal and departmental frustrations and problems a feeling of belonging and sharing in the success of the corporation.

I don't believe that I have fully succeeded. But I must continue the quest if the business I manage is to remain successful. So must you.

The Chief Executive and People Problems

But, again, neither one of us is in complete control. We can't rule our roost with an iron hand. In fact few businessmen, in today's environment, could get away with it.

Few policies which I establish would get effectively implemented if the people who have the responsibility for implementation did not believe in them or had not shared in their creation. I can't force it.

As for absolute power yes. I have it. It was given to me by the board of directors, subject to review and cancellation. But, if fully exercised, it is really only the power to destroy—both myself and the organization.

And so, much of my theoretical power is delegated to departmental heads and those with other specific functional responsibilities. We have people responsible for personnel, credit, training, new products, customer relations, etc. The list goes on.

The day of management by edict is rapidly disappearing. Even for the individual entrepreneur, the president's role is developing into that of a planner, interpreter, coordinator and leader rather than merely that of a drum beater.

And, except for the key people around me, I don't hire anybody. The individual departments hire their own people. The department heads are responsible for results, and so they need to have not only the responsibility but the appropriate authority in order to achieve these results.

There is also accountability, however. Just as presidents must answer to directors or trustees, my department heads must be answerable for the results of their actions.

Whether or not I appoint department heads depends upon their level of management. Those that I do appoint may come from the outside or from within. They may be appointed on the recommendations of others or on my own initiative—but those whom I appoint, and who are answerable to me, must also be able to work with the people they manage as well as with me.

Managing people, as you know, is not easy. Sometimes employees not only believe that they can do a better job than the president but actually try—by either blocking some programs, or initiating others which have an end result directly opposite to corporate objectives.

Moreover staff are often in conflict among themselves—sometimes for budgetary reasons, sometimes because of personal ambitions, sometimes because of professional competition, sometimes because of plain stupidity. Sound familiar?

The Bottom Line Again

I can't afford the luxury, however, of allowing organizational problems to divert me as chief executive from keeping my eye on the bottom line—profits. The concept of profits has been considered anathema by some academicians. Colleges, after all, were *non-profit* institutions, devoted to the public good, not geared to making money.

There may have been justification for this reasoning in the past. Relying upon this logic today is not only a "cop-out" but could be suicide for the private colleges. College presidents, with all their restraints, must take a leadership role in the effort to put colleges on a more sound financial footing.

While the costs of operation rise, the availability of dollars from traditional sources wanes. Like any other business, colleges must become increasingly efficiency-minded, cost-benefit-oriented, and market-motivated. And, yes, profit-directed.

"Non-profit," from a fiscal viewpoint, (aside from IRS considerations) should be relegated to the refuse heap. If not, private colleges will find it difficult to survive. Again, survival of the colleges may be the combined responsibility of many people and groups, but it is essentially in the hands of the college presidents.

Profit and the "Non-profit" Myth

"Non-profit" unfortunately has been the cloak behind which many "non-economic" organizations have hidden their inefficiencies. The coddling of inefficiency has not for the most part been deliberate and at worst has been misguided. But because of the belief that non-profit organizations were not supposed to make a profit, insufficient attention was given to criteria for the evaluation of performance and to the need to accumulate funds for future needs.

General derogation of the need for profit is not only destructive but perpetuates an insidious myth that "non-profit" is inherently good

and "profit" is inherently bad. Profit, of and by itself is neither good nor bad but rather a measuring tool, and a commodity which can be used for good or bad purposes.

Used as a measuring device, profits offer the opportunity, with suitable criteria and quanitification, to measure performance. Used as a fiscal device, profits also offer the opportunity to accumulate present surpluses for future needs.

Colleges are not unique in this regard. We businessmen are also exposed to problems in the effort to obtain profits. Many of us have been known to say that we "don't run a non-profit business; it just turns out that way."

Well, if it turns out that way with too much repetition, the result is often bankruptcy. Last year, for example, there were 9566 business failures, not to mention the large number of businesses which just got by—at the very best breaking even.

Just breaking even is not good enough. The failure to make a profit means less money to reinvest in the business. Reinvestment not only means money for physical plant and equipment but for people and ideas—and, just as with plant and equipment, people and ideas, sooner or later, may have to be replaced.

Conclusion

Thus, whether we chief executives head a company that sells a product or a service to the general consumer or to the student consumer, we have much in common. And we have learned much from each other. Our survival depends upon our ability to learn more from each other.

But your survival, under stress of immediate danger, primarily requires the early recognition of your changing role—and the acceptance of personal responsibility for survival of the institution which you head. Everyone in your respective organizations should have some degree of accountability, but you have ultimate accountability. Are you equal to the task?

If you grasp the mantle of chief executive with eagerness, see the problems without panic, and accept the challenge with confidence, then the answer may be yes. But, whether your individual answer is yes or no, I submit to you, fellow chief executives, that you should make a deliberate personal judgment rather than having it made for you.

Perhaps it might help if you first asked and then answered the following question for yourselves: Which is the myth and which is the reality—Educator or Manager?

Should Higher Education Be Consumer-Controlled?

LAYTON OLSON

My views on consumer control of or consumer participation in higher education are based on the two years I have spent with the National Student Lobby and almost four years spent in Chicago as legal counsel to many community organizations—ranging from organizations of health consumers, to consumers of housing and welfare services, to a boys club's drum and bugle corps.

I would like to present my thoughts under four heads: first, an historical discussion of the consumer in society and in higher education; second, a discussion of the difference between the consumer as a market force and as an organized constituency; third, a discussion of what the consumer of higher education wants; fourth, a checklist to determine if the consumer is being taken seriously as an adult participant in the academic community.

Historically, much of the discussion of the consumer grew out of debate over citizen participation, which surfaced as a key element in the War on Poverty, Model Cities and other programs arising in response to the civil rights movement and the politics of the 1960s. There has been extensive debate about citizen participation, since the very sound of the words seems artificial and politically shaky. There has always been an uneasy feeling that there is little reality to the concept since, on the one hand, few citizens feel they have an impact on the governmental process, and on the other hand, most government employees, elected and non-elected, see citizen participation as time-consuming, energy-consuming, and raising more questions, confusion and expectations than can ever be handled. Most of the questions are raised, the government employee feels, by persons who "don't understand the system," and who generally provide too much feedback which cannot be accomodated by a system without high internal expectations.

The consumer has also been brought to the national consciousness by Ralph Nader, in the tradition of consumer unions and cooperatives and other organizations out of step with the consumption mentality—

or addiction—prevailing in the country since the second world war. Nader began by dramatizing the fact that cars are often needlessly dangerous and kill over 50,000 persons in the country every year. It was obvious to many that something needed to be done, but no one realistically expected anyone to do anything about it. The system was not built to handle those kinds of realities. Nader's analysis was that there is no way to get the institutions of industry and government to take action on these or many other basic problems in society until the "public interest" or the "consumer" is organized into permanent institutions which ask, "What is the purpose of cars anyway?"

The Nader model, and then the Common Cause model built on similar middle-class "good government" ideas, began to demonstrate that the theoretical concepts of the "consumer" and the "public citizen" could be translated into the hard, businesslike reality of institutions which can develop the leverage of public relations, legal actions, and the logic of research and citizen action to fight the complex bureaucratic battles which surround today's public problems. That is, the consumer model seeks to alter today's basic model of countervailing forces between government-business-unions-foreign nations-the military. The consumer model was built as a way to organize an unorganized constituency, or unorganized community of interest, in order to allow persons to have some control—and sense of control—over decisions that affect them in a direct and substantial way. The consumer model also poses the basic philosophical questions about "What is democracy in a mass technological society?" and "What are the limits of public decision making?"

With this historical background in mind, I would now like to talk about the consumer in higher education. The question is asked, "Should higher education be consumer-controlled?" This question can be translated into the more realistic question, "Should consumers play a larger and more organized role in higher education than they do now?" And even before this question can be answered, another question needs to be asked, "What are the purposes of higher education—or postsecondary education?" since for many purposes higher education is now being lumped into the larger category of postsecondary education.

The purposes of postsecondary *education* are often confused with the objectives of postsecondary educational *institutions*. So, rather than seeing if institutions and other "learning situations" meet basic educational purposes, the normal analysis is that which is reflected in the list of institutional objectives compiled by the National Commission on the Financing of Postsecondary Education. That is, objectives representing

society's multiple purposes in education are listed in categories which can be statistically measured as taking place or not taking place in an institution of postsecondary education.

Very briefly, the National Commission's categories are:

1. Equal *access* to postsecondary education for all who desire it
2. *Opportunity* through special services to ensure access
3. Student *choice* of programs and institutional types
4. *Institutional independence* from outside control
5. *Student responsibility*
6. *Institutional accountability*
7. *Instructional quality*
8. *Diversity and flexibility* of program offerings
9. Financial *support* for the institution

As stated in the "Review of Student Response" to the National Commission (dated November 1973) by Tim Engen, a student commissioner, the purposes of postsecondary education have also been traditionally defined in the following categories of society's purposes:

1. National defense
2. Transmission of knowledge
3. Skill development
4. Sociability and citizenship
5. Employability

Students, however, see the purposes of postsecondary education in the following ways (as reported in the "Review of Student Response)."

First, "It was apparent in the Regional Review Sessions (of 289 students from 40 different institutions) as it is in the Survey of Student Response (questionnaire returned by 2,300 students from a cross-section of institutions): students are accepting and respecting any transmission of values, citizenship or sociability that results from postsecondary education experience, but are overwhelmingly skeptical if not fearful about post-graduate employment."

Second, "While the students surveyed concluded there was a general satisfaction with the institutions they are presently enrolled in (79 per

cent agreed, which is consistent with the Carnegie Commission's similar question in which 77 per cent of 100,000 students surveyed were generally satisfied), there were notable exceptions. . . . Flexibility of offerings and a general disillusionment with formal instruction were topics most likely to invoke negative responses. The satisfaction of self-development gained through postsecondary education was threatened or at least inhibited by traditional structure."

"The overwhelming emphasis in the discussion of education purposes was THE OPPORTUNITY TO EXPRESS ONE'S SELF-DEVELOPMENT. This means the expression of self-development in the form of (1) occupational opportunity, income and skill development, and (2) employment and deployment of knowledge for the benefit of self and society."

A concerned and honest administrator might respond to this student statement by saying, "Now those are fine purposes for students, but we've got an institution to run. And while we offer all those things that students say they want, we must also respond to the objectives of the institution as seen by legislators who fund programs, business persons who want students trained and socialized, and faculty who set the intellectual climate of the college."

The student responds, "Well, you may be doing your best, but you have indicated that your institutional purposes will always take precedence over student purposes 'when push comes to shove'."

The administrator: "I wouldn't go that far. After all we wouldn't even be here if it weren't for students enrolled. And we're very concerned about student attitudes on our campus, both among faculty and administrators."

The student: "Now we're getting to the heart of the matter. You're worried about possible declining enrolments and skyrocketing inflation, and so you're now ready to call in the consultants on student attitudes to see what you can do to stabilize your enrolment market. You still don't want students participating on an organized basis in the planning and decisions of the institution. You don't see the value, both political and educational, for students to participate in and help analyse the problems of the academic community."

The administrator: "I know, but we've tried getting students involved before, and it takes up so much time and energy of administrators and faculty to teach students what's going on, and then students and everyone else get tired of the whole mess. Besides, we have enough trouble getting faculty and administrators to understand and participate in solving the problems of the institution."

The student sums up, philosophically: "Yes, I can feel the psychic toll on faculty and administrators from intense contact with students. What students want, however, may ease the exhaustion, because students want a new process of learning which allows for a diversity of adult learning situations—alternating classroom learning with learning through participation, both off campus and on campus. Such a system is exciting for all involved in it, which is what an academic community should be all about."

And so the dialogue goes on. Or rather does not go on, since the administrator quietly closes his door and goes back to pressing business. And the student goes off for the week end.

In this dialogue students and their attitudes are treated as a powerful *force* or *market* similar to that for cars or other commodities. However, the market and public-force function is already proving inadequate in the automobile and commodity sectors of the consumer society. In those sectors, society's problems generated by the consumption of a commodity are attempted to be handled by press statements of "concern" or "what we're doing" about auto safety, the environment, and the game plan for "energy independence" by 1980. As the public relations response diverges farther and farther from the reality of a problem, more and more consumers conclude that they cannot believe anything, and that there is very little they can do to change things. The same process happens in government. When credibility is lost, confusion and indecision set in. Persons begin to lose confidence in themselves and in society's ability to handle—or even define—real problems.

The loss of public-relations credibility in postsecondary education is not so dramatic as it was a few years ago. However, the financial credibility of postsecondary education has been considerably weakened, and students and others are asking whether individuals and society are "getting what they're paying for." When commodities or services take a sudden leap upward the "consumer" begins to think again about the purposes being paid for.

To avoid such public-relations and financial crises, I believe it is necessary to treat consumers of postsecondary education, not as an unorganized market force, but as organized constituencies which need to be represented by continuing institutions accountable to them as consumers. These continuing institutions will not be here today, gone tomorrow—the normal fate of student organizations, which have been treated accordingly, in terms of respect, in planning and political decisions.

Why do consumers need their own institutions? Because all the

major objectives of postsecondary education must be reflected in continuing structures, bureaucracies or communities whose central, everyday purpose is the articulation of those objectives. For these reasons, we need standing bureaucracies representing self-development and employability in postsecondary education. Systems and inventory theory clearly states that planning and evaluation cannot take place without formalizing the feedback process to ensure the purposes of the system are being met.

Currently, there are institutional interests which advocate equal access and opportunity in postsecondary education. Among them are politicians, intellectuals, foundations, business planners and many administrators and counselors.

There are strong interests among legislators, administrators, faculty, parents, education associations and agencies, the business and union communities backing financial support and defending institutional independence for postsecondary education.

There are foundations, faculty groups, governmental agencies concerned about the quality of instruction. In addition, military and business communities are setting standards for instructional quality.

The government, professions, business planners, and foundations are beginning to demand financial accountability and measures of efficiency or effectiveness of an institution.

There are some faculty, administrators and foundations calling for diversity and flexibility of program, student choice among programs, and student participation and responsibility. But these latter objectives are not based on the experience of well-organized institutions. The most effective spokespersons for these objectives can be students, but students are not well organized to do so. In addition, student-controlled institutions can be the most effective voices to stress the importance of self-development and employability.

The consumer constituency is also potentially the most powerful political force for assuring adequate public financial support for postsecondary education. Part of the need is to "educate the constituency" through student media as to the problems and the strategies for securing public support; the other part is to "enlarge the constituency" beyond the normal "college age" student to older persons, part-time students, their parents and families, alumni, faculty and others.

When consumers of postsecondary education become organized, what is it that they actually want?

Beyond the broad objectives of opportunity for self-development and employability, many students could not say exactly what they want "as a group." Most students react to questions about whether they are satisfied with their college experience by saying, "Hell, college isn't bad. It's better than working. I don't like everything, but I meet good people, have a good time, and maybe I'll make more money when I get out than if I didn't go."

As the consumer constituency is developed, what consumers want becomes more and more clearly defined. Consumers develop a point of view of existing problems or situations, and begin to develop a point of view on questions that have not even been debated before by students.

The development process means that the consumer becomes a serious part of the academic community at the campus level, the academic level, and the state and national political and bureaucratic levels. The dialogue which takes place at each level finds consumers and non-consumers alike now focusing on questions of new importance: "What is the interest of the consumer?" Obviously there are many kinds of consumers who want many different things, sometimes in conflict with other consumers. However, there will be a consensus, I believe, on many issues, and I would like to discuss a couple of them.

First, consumers—students and their families—agree that education is expensive, that it is getting more expensive quickly, and that something should be done about it. Thus, students are in favor of student financial aid increases, and against tuition increases.

Also, students agree—as do most academics, politicians and businesspersons—that actual learning can take place through a combination of off-campus experience and on-campus discipline and dialogue. Students agree that they learn at least as much from each other as they learn from "professional instruction." Thus, most students would prefer the option of earning a bachelor's degree in a three-year program. This would save one-fourth of the cost of a bachelor's degree certification. Students would also support the flexibility to earn that degree in anywhere from three to five years or more, since most students would agree that the "extra year" spent in college is primarily spent as a "holding period" to allow for maturation purposes. Most students would agree that the purposes of a liberal arts education would be best met by combining campus and off-campus learning in this manner. However, the three-year bachelor's degree program is one in which most colleges do not find their own self-interest. Although the program would save the consumer (and society) money, there has been little demonstration that it would save many colleges any money, particularly in a time of dropping enrolment projections.

In approaching the problems of enrolment levels, consumers would have to face the difficult question of faculty costs, which are often "locked into" a budget. Consumers would press for reasonable ways to handle the oversupply of faculty, perhaps through a federally-financed "sabbatical leave emergency employment" fund to ease academics' ability to transfer in and out of college teaching and administrative jobs as the enrolment market fluctuates.

In terms of self-development, students want to develop their point of view, to try new options in an atmosphere of understanding. This process of growing up cannot occur in a situation which asks students to wait until they graduate before they "grow up," or "join the real world." Students can grow up by travelling, by joining the military, by going to work, by being in an internship program, and by facing the same problems of running an institution of postsecondary education which others have faced. When such students returned to campus there would be exciting dialogue between "veterans" of many experiences, including the many kinds of "new students" who would be enrolled.

Each person on campus would be treated as a person with a point of view to develop and share, rather than as a child to be filled up with knowledge, training and an intellectual point of view. The campus would often become a "marketplace of ideas and views," which in many ways would mirror the experiences of society as a whole. Many faculty and administrators would heave a sigh of relief to have the level of personal maturation on campus raised in this way. The one thing students and faculty can agree on is that the level of maturity will not appreciably pick up through more faculty-student contact hours, since in most instances faculty are currently overtaxed and often become emotionally drained from trying to deal with students' problems of growing up and becoming intellectually disciplined. This purpose of development can only be substantially furthered by altering the learning situation.

Students agree that they feel a desperate need to be able to participate in every aspect of academic life and campus governance. For many persons this is a way of approaching "real-life problems" and beginning to define what their interests as consumers might be in those situations. Students need to participate in faculty evaluation, on boards of trustees, on governance and academic committees, on admissions, financial aid, public relations and development committees for the institution. Students need to participate and get academic credit for it. This is also true for students working with student government organizations and student projects of all kinds, including student lobbying organizations.

In their student organizations, students need to be *recognized* as being represented by continuing entities—not simply by a series of ad hoc, undefined committees or situations. Administrators have had a habit of dealing with students as a "new group" each year, so that all the rules can be rewritten in order to make student participation as unstable as possible. In order to stabilize their situation students need to start with basics. In this regard, students have much to learn from faculty unions about the concept of "recognition." Recognition means written recognition in a constitution and rules and procedures which are binding, and as a last resort, enforceable in court. These rights have no serious meaning unless students have control over their own legal staff. In addition, students need control over their own professional staff hired to administer the student union and book store, and the student budget. And students need control over their own lobbying organizations, which organizations not only lobby legislators and government administrators but also lobby their own colleges and educational associations to represent the consumer and to take the consumer's interests more seriously in planning.

As students work to set up their own institutions, they begin to learn the rules of any serious business. One of those rules is that you only get what you pay for. In the past, student governments have been able to argue for months about whether to spend $150 to sponsor a once-a-year treck of student body presidents to the state capital for a cocktail party with the governor and members of the legislature. The real question was not addressed. The real question for students is, "Do you really want a student lobby and do you know what a lobby does?" Well, if you do, then it is going to mean a full-time office and staff in the state capital, plus the yearly trek of student body presidents and others for a cocktail party. And it is going to cost $3000 to $10,000 for your campus to do it, in combination with students from other campuses. In other words, business is business.

Running campus projects such as child-care centers, businesses, and public interest research groups teaches the same rules, and students need to understand why it is crucial to support them and demand results from those involved in them.

For the same reasons, students need to support at the national level many student-controlled groups which provide a range of professional services and information and help to build a network of institutions in which students can place their confidence. This means developing a network which can provide information and services on every subject from the effect on students of faculty-administration collective bar-

gaining to setting up conferences for leadership training, to how to get the best deal for your student union in vending and pinball machines.

In this process, colleges and consumers will be coming face to face with one of the most glaring faults of a college education. Today's traditional college education teaches people to be passive consumers of information. A college education is positively detrimental to a person's abilities to organize, supervise, put things together, and sell.

No wonder students are frustrated dreamers, since they are not given the opportunity (for academic credit) to break down real-life problems and put solutions together again. Most students when they graduate are prepared only to fit into a bureaucracy where they do not have wide responsibilities. They may have academic opinions about situations, but they are uncertain and untested in what they really believe. They have passively taken in the conventional wisdom of many fields, and yet they do not know where they fit in. They watch Watergate on television and have interesting theories about deception in high places, but they do not have the basic instincts about how to effect change because they have not made it a habit to walk the precincts on election day—every election day—and to get their friends to do the same. In many ways, none of this matters as long as the bureaucratic system that students are involved in works, but when that system, whether it be the educational, health-care, welfare, energy or international, begins to crumble financially, then there is a crucial need for persons who can see clearly the purposes and realities and are able to act on them. This is what many consumers want from postsecondary education.

A checklist to test the commitment of persons on your campus to the principles of consumer participation asks the following questions:

1. Is the administration and faculty capable of handling student feedback in a systematic way? An answer would cover the following points: Is there a mechanism for student evaluation of faculty, course offerings and degree requirements? Is there a mechanism for student evaluation of the structure of the institution? Are students involved for course-credit in admissions, financial aid, development, public relations and governance? Are students involved in faculty hiring and tenure committees, in collective bargaining negotiations? Are students involved in the board of trustees, and in making presentations to the state legislature?

2. Second, are students seriously represented in institutionalized ways? Do students get course credit for their work? Do students have

control over setting up special courses involving participation in the governance of the college? Do students and administration have written rules and procedures which are enforceable in court? Do students have the funds and the power to hire their own attorney and other employees to represent their interests for a period of years? Do students have control over student fees? Do students come to meetings such as the annual meeting of the Association of American Colleges after having been involved in the problems of their own campus? Do students have a good grasp of what their individual and collective interests are and how to achieve them?

3. Third, does the atmosphere and structure of the college help develop students' decision-making ability? Does it help them in finding their own purpose, uniqueness and wholeness? Does your campus clarify the differences between the "passive," the "participative" and the "analytical" curriculum rather than dividing the curriculum into the less relevant categories of fine arts or humanities, social sciences and natural sciences? Does your college challenge each student to decide whether to attend classes each year or to take a year off, to take a year's internship, to travel abroad, or in other ways take responsibility for the direction of his or her learning? Does the range of backgrounds and experiences of persons on your campus reflect an exciting diversity and challenge to each student?

4. Fourth, in sum, is your college a place where you would be excited about attending for one to four years at whatever age you are? Would you feel both challenged and respected as a person?

The Role of the Institutional Governing Board

ARMAND C. STALNAKER

The business executives on a college board of trustees instinctively identify themselves with the administration and expect the president to perform like a chief executive officer who has a plan and accepts responsibility for implementing it and for the results achieved. There is probably strength and comfort in the fact that the executives who serve on the board tend to identify with the administration of the college rather than with other elements. At the same time, they may have unreasonable expectations of the president as head of the institution because they may assume that he has a kind of executive authority that does not exist in the college or university situation. I believe it is reasonable for them to expect that the head of the institution will have a plan for the school and will accept responsibility for carrying out that plan and for the results the institution achieves. The head of the school should be expected to do this even though he does not operate with absolute authority.

We expect to be able to quantify and measure results and we are apt to suspect that if they cannot be described precisely they are a little too vague and may not be real. Objectives such as creating a community of scholars and an atmosphere of growth and research are not quite acceptable to many board members as adequately precise standards for the institution. Businessmen tend to feel that if these things are real and meaningful they will produce some results which can be observed and measured.

To the trustees, the president should tell it like it is. Business executives who serve on the boards of business organizations as well as on the college board are accustomed to facing problems and hearing bad news. Often they will be stimulated and challenged by

difficult problems and by plans that did not turn out as had been hoped. Every business that is successful has learned to abandon products and projects and to develop new thrusts in different directions. Nothing will alienate the businessmen on a college board as quickly as a feeling that the bad news is being disguised from them or that they are not getting an accurate and complete report of what is really happening at the institution.

The president must help us to understand the true nature and purpose and objectives of the institution as related to society and as compared to other colleges. The board needs this understanding to function effectively. We believe the school needs it to unify the efforts of the many people who must contribute to its success. Most of us make assumptions about the school based on what we once knew it to be, or based on what we know about some other school. Relying on facts and not wishful thinking, we need to have a clear picture of how this school is different from others and what other schools are most comparable to this one.

The president is entitled to expect that when the institution gets into trouble the trustees will take charge. Sometimes they may not act very wisely in doing so, but the members of the board are deeply conscious of the fact that they have an ultimate responsibility for the institution. In these days when many institutions are in difficulty, the role of the boards of trustees is becoming a more active one. The board should be, and will insist on being, a part of any catastrophe planning that the institution must undertake.

Board members are likely to regard their time as being wasted unless the orientation information being presented, and their thoughts and opinions, are being focused on significant decisions to be made. This is simply an application of the fundamental educational principle that people learn more when they are interested and challenged by a problem. Board members are not very cooperative in attending lengthy general orientation and information sessions. When this is the agenda of the board meetings, attendance must be expected to decline. On the other hand, there is almost no limit to the amount of time and effort that board members will devote to background information that they see as being relevant to a specific problem now faced by the institution and by the board.

Throughout these remarks I have been talking as if the board were composed entirely of business executives. That is my own perspective, and that is the kind of board member with whom I have talked in preparation for this discussion. In actual practice, most

institutions have many other vocational backgrounds represented on their boards. The composition of the board will obviously make a great difference to the way it functions. One question that one might fairly ask a college president is: Which would you rather have, and why, and how would you deal with, a board composed entirely of self-made millionaires who struck it rich but who never went to college, or a board composed entirely of presidents of other colleges?